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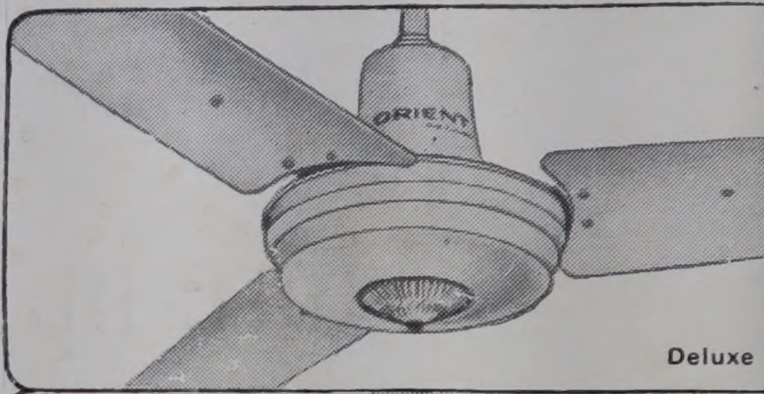
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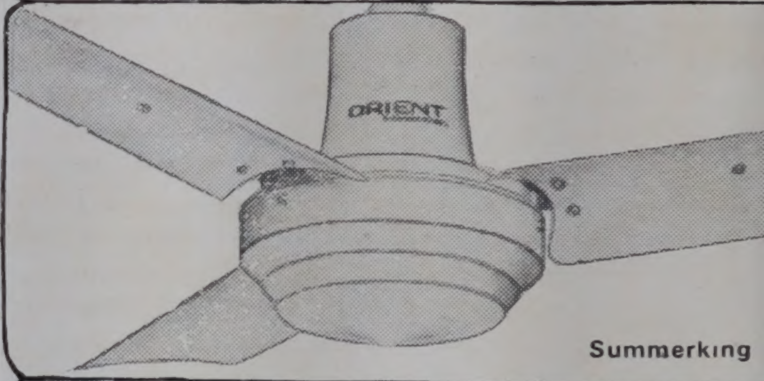
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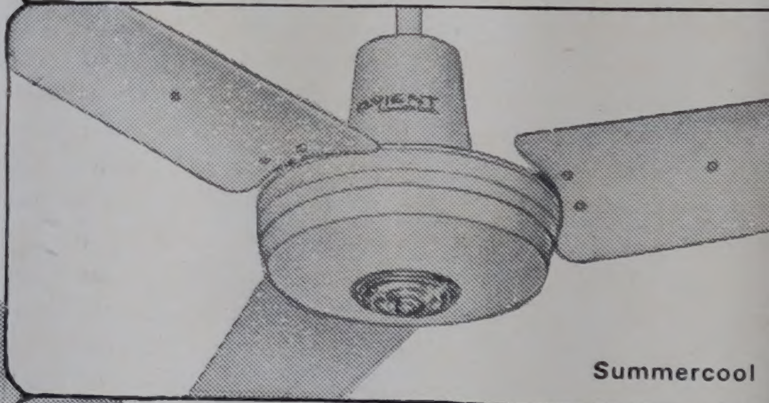
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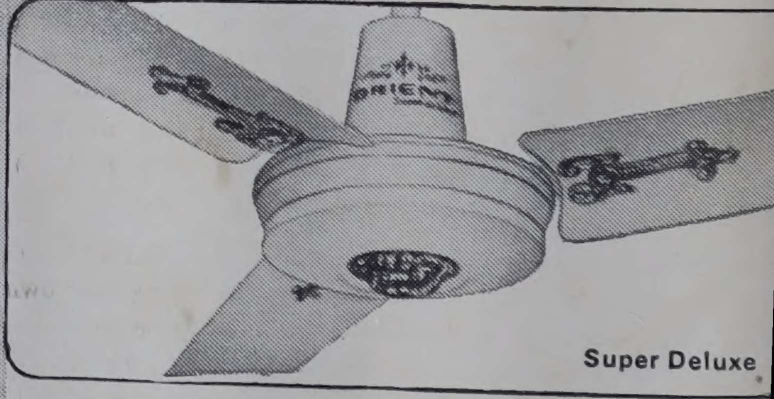
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More lip than leap

FOR TWO years now the political loudmouths in the Janata government and their salaried speech-writers have been telling us that the economy is poised for a big leap. So far there has been more lip in this than leap. In fact, if the economy continues to be in this uncomfortable position (of being poised for a leap) much longer, it may well develop a pain in the joints. Meanwhile the professional optimists among ministers and bureaucrats are becoming a pain in the neck. They are losing credibility even faster than the Khomeini regime in Iran. The economy of a country could be ravaged as irresponsibly as its polity.

Take, for instance, the energy situation. Much of the surface improvement that there has been in industrial production, for which the present government has been claiming credit, has been due to some recovery in power generation in the course of last year, but this gain has proved uncertain and unreliable. The first warning came from Tamil Nadu. Power generation at the Neyveli thermal station, which has an installed capacity of 600 MW, slumped to 300 MW in the last week of March thanks to bottlenecks in the mining of lignite. This has not exactly been a help to the already difficult power situation in the state and the state government has had to impose consumption cuts of 30 per cent on HT industries and 15 per cent on continuous process industries. Besides protesting against what they argue is not a rational sharing of the consequences of the electricity shortage, the industrial community in Tamil Nadu has had to think seriously of closures of factory operations. Textile mills in Coimbatore, for instance, are in a quandary.

The situation is further complicated by the fact that sufficient diesel oil is not available to the factories for operating their own captive power plants which could collectively generate about 250 MW. The Petroleum minister, Mr H.N. Bahuguna, meanwhile has warned the country that, because of the difficulties in tying up imports of crude oil or petroleum products, he is in no position to assure any part of the country of regular supplies or deliveries of diesel oil or other petroleum products including kerosene. Incidentally, it is a feature of life all over the country for large queues cooling their heels before supply points for kerosene which is widely in demand as a domestic fuel.

It is, however, in the eastern region that the electricity shortage is assuming proportions which are a threat to economic and social activities. In Bihar the functioning of the state electricity board has been crippled by shortfalls in power generation at two major facilities, one of which is located at Patratu and other at Barauni. These two installations are now reported to be paying the price for the lack of proper maintenance and employee absenteeism from which they have been suffering over a period. Supply from Patratu, for instance, has nose-dived from 200 MW to 50 MW. Rushing to the aid of the state, New Delhi has persuaded UP to provide some relief supplies. The Bihar grid has started receiving 60 MW of power from its neighbour state and it is expected to do with 20 MW and pass the remaining 40 MW to West Bengal.

That problem state, of course is in a much worse position than Bihar or Tamil Nadu. In fact there is no comparison. The power position in West Bengal has always been in a chronic ailment often deteriorating into an acute illness. Right now it is in nothing short of a crisis state. The state government which has been flirting with this developing disaster now finds that no resources of crisis management are left to it. Distress appeals have been sent to Orissa and Andhra Pradesh for some diversion of their electricity supplies into the West Bengal grid. They are reported to have responded with supplies of 50 MW each. But so far as the state electricity system is concerned, the gloomiest view is being taken of its potential for early recovery.

The Durgapur power project, run by the state government, is virtually at the point of total collapse. With an installed capacity of 287 MW, it has been generating no more than 30 to 40 MW. This means that not only is it in no position to make its normal supply of 80 MW to Calcutta but it is also drawing 50 MW from the Calcutta system which itself is breaking down. The generating facilities of the state electricity board have always been dragging their feet and their performance has not risen much above the general level of capacity utilization of 50 per cent. A flickering light in an area of darkness is the Calcutta Electric Supply Corporation (a private sector facility), feeding the greater Calcutta area, which has been able to generate power consistently to 75 per cent of its capacity.

Basu with pants down

On April 10, the state government, driven to a corner, formally notified industrial consumers that they could not have power supply for four days until April 14. There are of course no indications that the power position would be really retrieved by then. Meanwhile the wheels of industry have come to a grinding halt and trade and commerce and even routine daily life have been paralysed for lack of an elementary necessity. The resentment against the state government and particularly against the chief minister, who holds the electricity portfolio, is raging in the state. This is because of the widespread conviction that this power shortage is an entirely man-made crisis at every stage of its incubation and at all points of its monstrous growth.

The state government has undoubtedly been turning a blind eye to a deteriorating labour situation in power stations, which is regularly causing breakdowns and outages, interfering with maintenance and damaging plant and equipment. The fact that inter-union rivalries, in which other political parties have been involved are to be blamed to a considerable extent has not been accepted by the public as an excuse for the ruling party for its gross failure to arrest in time the virtual sabotage of an essential utility on a statewide scale. The loss in production or exports is necessarily generating much economic distress among several sections of the people while industrial workers are directly affected by the wage losses which they must suffer as a result of enforced lay-offs. Nearly as restive as industrial labour is the student community which has to take its annual examinations at a time when even kerosene is not available for studying in lamp-light.

The political impact of this power crisis has been immediate and enormous and the state government has begun to reel under it. The CPI(M) is clearly facing a crisis in its existence as a credible political party, capable of providing clean or competent administration and already the chief minister is being told to get out, since he, evidently, cannot govern. Indications of the demoralisation the communist government in West Bengal has been plunged into is a piteous plea of despair from its Finance minister to managements of industrial units, small, medium or even big, to set up their own power generating sets as early as possible. Dr Ashok Mitra has dangled the carrot of a 15 per cent subsidy on the capital cost of captive power plant before all comers, but he has to be told that this makes no sense as a eleventh-hour remedy. In any case, even if generating sets could be bought off shop-shelves, with cash handed over across the counter by the nationalized banks, what are the factories supposed to use for fuelling them? Diesel oil? Coal? Please do not make us laugh, dear Dr Ashok Mitra. What has your party done all these days to expect such an instant trust from the business community in your government's last-minute concern for industrial stability in West Bengal?

Delhi wakes up?

Not that the prime minister of India in his ascetic aloofness has been showing greater awareness of the implications of the power crisis. He no doubt wrote a letter some time ago to state governments asking them to save petroleum. But, unfortunately, sufficient gobar gas is not available for the state governments to make a ready and respectful response. The problem would have been simplified considerably had nationalized coal and nationalized railways been able to wor like blood brothers. Unfortunately, the have been fighting like a pair of Kilkenn cats (by the way why are Kilkenny cat supposed to be more aggressively murde rous in their infighting than, say, th Janata politicians?).

The collieries have been accusing th railways of not providing enough wagon for the regular movement of coal from th pitheads, while the railways have bee complaining that much of the fault lie with the chaotic functioning of the coa sector which, so it is said, cannot manag properly either its mining schedules or it despatch time-tables. At the moment however, the railways seem to be gettin the worse of the argument. There i enough evidence to show that coal i accumulating at the pitheads, while consumers are running short of stocks an that the responsibility for this hiatus i to be attributed to a shortfall i railway performance.

wildcat strikes

The Railway minister, as decent a ma as the public may hope to find in politics has not tried to run away from hi responsibility. On the contrary, in spit of his trade union political base, M Madhu Dandavate, has not only admitte that wildcat strikes and even occasiona acts of sabotage on the part of railwa employees in certain sections of the eastern region have interrupted coal loadin or coal transport. Pursuing the logic o this analysis, the Railway ministry has decided to take stringent action against its employees indulging in go-slow o work-to-rule agitation, unauthorisedl absenting from duty or causing obstruction to work. The zonal railway managers have been directed to take appropriate action against those involved i such activities and the penal action suggested by the ministry includes break in service and wage cut. The Railway ministry has also assured the public that th services of the Territorial Army units ma be requisitioned should this become necessary for ensuring the normal functionin of the railway administration in any par of the country. Meanwhile, genera managers of the concerned railway zone are in regular conference with the collie ries and the industrial users of coal with a view to achieving greater coordination of coal indents and deliveries.

Kiss and tell

POLITICAL AMOURS, like the sexual, have a code of conduct. You don't kiss and tell, unless, that is, you are a cad. Mr Daniel Patrick Moynihan, a maverick in American public life, however makes his own rules as he goes on with any game that he may happen to be playing at the moment. Ambassadors are supposed to be paid to lie for their countries. Mr Moynihan, who represented the United States in New Delhi at one time, has chosen to tell what he says is a truth about the government of the country to which he was accredited; since he has done this in his book "Dangerous Place", which he no doubt expects to sell well, he may have spoken partly for profit. It may, however, be allowed him that he may have acted mainly for pleasure.

As he tells the story, "We (meaning, presumably the US government through the US embassy in New Delhi) had twice, but only twice interfered in Indian politics to the extent of providing money to a political party. Both times this was done in the face of a prospective Communist victory in a state election, once in Kerala and once in West Bengal, where Calcutta is located. Both times the money was given to the Congress party which had asked for it. Once it was given to Mrs Gandhi herself, who was then a party official''.

There has naturally been a furore in Lok Sabha, with the Janata members especially demanding that Mrs Gandhi be put in the dock. She herself has lost no time in denying and denouncing Mr Moynihan's allegations as "mischievous, motivated and absolutely baseless". However, not before the Janata party president could get into the act by telling the newspapers that the reported flowing of American funds to Congress to fight elections was "shameful", as it had done the greatest damage to our country's prestige.

Raj Narayan sprayed attar on Jagjivan Ram.

On a hot tin roof

MR CHANDRA Shekhar nowadays is behaving more and more like a cat on a hot tin roof. Especially when anything comes up involving Mrs Gandhi, he automatically becomes excited to the point of incoherence. For instance, he has declared that Mrs Gandhi should clarify this issue as she was then the prime minister of the country. But what Mr Moynihan has said is that the dollars were delivered to the party and on one of the two occasions when this largesse was dispensed, the filthy lucre was given to Mrs Gandhi personally because she was then a Congress party official. If Mr Chandra Shekhar is really as concerned about the prestige of the country as he professes to be, he should not have been in such a haste to involve the prime minister's office in the allegations made by Mr Moynihan.

After all in the 1977 general election for state assemblies, Mr Kanti Desai, at the instance of Mr C.B. Gupta, a treasurer of the Janata party, reportedly collected money for the party's election chest. It has not been suggested so far that Mr Morarji Desai, either as the father of Mr Kanti Desai or as the prime minister, was in any way involved in this fund collection or was even aware of the affair. Therefore, even if Mr Moynihan is speaking the truth when he says that US money was given to the Congress party for election purposes, it does not necessarily bring the prime minister of India of the time into it.

As a matter of fact Mr Moynihan himself says that on the occasion when the money was given to Mrs Gandhi herself, she was only a party official. This obviously refers to the Kerala election. As for the West Bengal election, Mrs Gandhi was no doubt the prime minister at that time but Mr Moynihan's statement suggests that the funds allegedly given to the Congress party on that occasion were not given to Mrs Gandhi, which means that it was given to some other high Congress party leader. Mr Chandra Shekhar himself was not an unimportant member of the Congress party those days and he might have had opportunities of knowing more about what was going on in that party than many of us.

Come to think of it, it is more than slightly amusing that, at this time of the day, any one should be plucking at the hair of his pious beard in fury or disgust over foreign money helping to pay for national elections. It is widely known that the big powers especially have always been buying or bribing their way into countries where they feel they have a stake. If it is true that the US provided election money to the Congress for fighting the Indian communist parties, this contribution may be realistically or even cynically dismissed as part of the development aid from western countries intended for stabilizing friendly and if possible democratic political systems abroad. We must also remember that, in a non-communist world, even persons who have held sensitive public offices, are, by and large, in a position to publish and not be damned. This, of course, is not true of the communist countries. Moynihans will get short shrift there which means that we may only speculate who gave or gives money to the communists in India for their election needs and expenses.

Polish connection

A DELEGATION of Indian industrialists led by Mr H.P. Nanda of Escorts Ltd, will be leaving for Poland on April 17 to discuss trade possibilities. The other members of the delegation are Mr M.S. Capriahan, Mr S.B. Chandorkar, Dr R.L. Chaudhary, Mr S.K. Joshi, Mr G.M. Kishnichandani, Mr S.K. Mehta, Mr R.B.L. Sharma, Mr M.L. Tukral, Mr R.C. Malhotra, Mr Ajit Pant, Mr K.N.R. Sastry and Mr S. Ganapati (member-secretary).

This visit will be part of a continuing exercise in translating into concrete commercial contacts the programme of economic cooperation spelt out at the 6th session of the Indo-Polish joint commission held in New Delhi recently. The Polish delegation had been led by Mr W. Lejczak, minister of Mining and the Indian side was led by Mr P. Ramachandran, minister of Energy.

With the projected changeover of the trade system from non-convertible to free convertible currency from January 1981, it has become all the more necessary for both sides to make an attempt at organizing Indo-Polish trade on a stable basis and at higher levels. As it is, Poland is importing more from India than exporting to it. In 1978, Polish exports to India improved by only 40 per cent in comparison to 1970, while the total Indian imports had increased three times between these years.

exploring new vistas

One of the purposes of the Nanda delegation will therefore be to explore to what extent India could profitably step up its offtake of Polish merchandise. Already several items have been identified for possible imports from Poland. This includes steel, chemicals and fertilizers, machine tools and tyres for tractor and scooters. Indian export interests, in their turn should be interested in the Polish market for house-building materials since Poland has a programme for the construction of 1.5 million tenements. It is also believed that Poland could cooperate with Indian firms engaged in the manufacture of automobile ancillaries, metal bearings, ball bearings, forgings, eletronic components and computer peripherals.

During the discussions of the Indo-Polish joint commission, an understanding was reached regarding the purchase of cotton from India by Poland. Poland also agreed to study Indian requirements of urea, sulphur, rapeseed oil, cement and steel products. Surveying the Polish collaboration with major industrial projects in India, the commission found that there were further possibilities of extending this activity to the fields of coal mining and non-ferrous metals. The Indian side undertook to indicate this country's requirements for telecommunication and tele-monitoring equipment for the coal industry. Studying the problems of the existing lead-zinc smelter at Visakhapatnam set up with Polish know-how, the commission decided that Polish specialists would confer with the executives of Hindustan Zinc Ltd, on possibilities of employing Polish know-how in the recovery of liquid sulphur dioxide from smelter gases and copper, cobalt and silver from zinc plant process intermediaries.

Surcharge on steel!

THE IMPOSITION of a surcharge on the basic prices of pig iron and all categories of steel, which was announced by the minister for Steel and Mines, Mr Biju Patnaik, in Lok Sabha last week, raises the important issue of whether the nation should be called upon to undergo undue sacrifices because of inadequate returns from and unsatisfactory working of several public sector enterprises. The price of pig iron will go up by Rs 100 per tonne as a sequel to the above decision and those of all categories of steel by 15 per cent—not an insignificant escalation. It should fuel cost-push inflation, despite the claim that even after this upward revision, the Indian prices will be lower than the prevailing domestic prices of steel in most foreign countries.

The justification put forth by Mr Patnaik for the levy of surcharge is that, as against the proposed outlay of Rs 600 crores on the development of the steel sector this year, budgetary support has been provided only to the tune of Rs 365.53 crores. On their anticipated performance during the current year, the steel plants will be able to yield for development purposes a surplus of only Rs 30 crores. So, over Rs 200 crores would be needed to fully meet the proposed outlay if the long-term programmes of this sector are not to be allowed to suffer. Full budgetary support, Mr Patnaik has stressed, could not be made available as it would have enlarged the already wide deficit in the central revenues.

Significantly enough Mr Patnaik has recalled the assurance he had given last year, at the time of restructuring the public sector steel projects and effecting an upward revision in steel prices, that the future development programmes in the steel industry would be implemented through its internal resources, without any large draft on the budget.

Mr Patnaik can argue that the above decision has been guided by this consideration. But he has, simultaneously, admitted that the performance of stee plants last year, profitability-wise, lef much to be desired for various reasons the more important among them bein (i) concessional prices for the requirement of the small-scale industry, (ii) steep increases in the entry taxes on raw materials, and (iii) shortfalls in productio owing to inadequate supplies of cokin coal and indifferent power situation. Th shortfalls in production pushed up th unit costs.

travails of consumers

There can be no dispute over the fac that coal shortages and inadequacies o power, caused to some extent by unprecedented flooding of mines and disruptio of railway movement, did affect production of steel as also of a host of othe items. But, surely, the obligation o meeting the requirements of the smal scale sector was already built into th steel price structure. The steep increase in the entry taxes on raw materials are a indication of the states passing on th onus of resource mobilisation to the central government. If this tendency cont nues, there can be no end to the problen of the public sector industrial underta ings and through them the travails of th consumers.

Dramatically enough, to bring home t tight supply position of coking coal, M Patnaik also announced last week th pushings into the coke oven batteri would be reduced by eight per cent duri the three months to June so that the st plants could be kept operative during t monsoon season. The coal stocks w some of the steelworks, he pointed o had reached the utmost critical level one to one-and-half days' consumption. They had to be built up before the onset of the monsoon.

Though coming as a bolt from the blue, this announcement probably was made to prepare the ground for the imposition of the above surcharge. One wonders why Mr Patnaik kept mum about the precarious coal supplies when the Energy ministry was proclaiming that coal production had started picking up well after the recommissioning of the flooded mines. Are the railways a bottleneck? It is difficult to apportion the blame with any degree of precision among the three concerned ministries as the nation is repeatedly told that a close liaison is being kept among them. The ministry of Shipping too cannot escape blame for the imported coking coal supplies having been held up at the Paradeep port.

cut-back in coke

The eight per cent cut-back in coke-oven pushings, incidentally, is bound to affect steel production correspondingly even though some stocks of coke are available with the steel plants. This is due to the fact that gas availability will be reduced. Coke stocks cannot improve the position in this regard. The loss of production during the three months to June, it is however hoped, will be more than made up in the subsequent three quarters so that production at the six integrated steelworks can be raised by 13 per cent over the 1978-79 output of 6.59 million tonnes of saleable steel and 8.15 million tonnes of ingots. This level of output last year fell short of the targets by 1.01 million tonnes and 1.75 million tonnes, respectively. Compared to the production in 1977-78, the setback last year was of the order of 0.3 million tonnes in the case of saleable steel and 0.27 million tonnes in regard to ingots. The mini-steel plants, on the other hand, did well by producing nearly two million tonnes—half a million tonnes more than in the previous year. The above expectation, of course, presumes availability of sufficient supplies of coking coal. A big question mark, if one goes by recent experience.

The nation will not gudge legitimate additional levies, provided they are necessary after optimum operations of the steel industry. Part of the proceeds of the proposed surcharge, it is indicated in Mr Patnaik's announcement, will go even to meet the increased production costs which ought to be contained through efficient operations. It is necessary to take a close look at the working of the coking coal mines and the washeries as well as movement of coal to the steel plants.

HZL making good

IN SPITE of constraints of power cuts and interruptions in Bihar and Rajasthan—the two states of its major operations—and the initial plant stabilisation problems in the newly expanded/constructed smelters and mines in these two states as well as in Andhra Pradesh, which stood in the way of the full realisation of the targets set, Hindustan Zinc Ltd (HZL) has recorded impressive gains in production in 1978-79. The output of zinc and lead concentrates improved by 17 per cent to 83,141 tonnes from 65,981 tonnes in the previous year. The production of zinc ingots rose by 52 per cent to 51,064 tonnes from 33,501 tonnes, of refined lead by 39 per cent to 10,475 tonnes from 7,543 tonnes, of cadmium by 127 per cent to 111.6 tonnes from 49 tonnes and of sulphuric acid by five per cent to 82,681 tonnes from 78,746 tonnes. The output of saleable silver amounted to 11.5 tonnes, a shade higher than 11.4 tonnes in 1977-78. The actual output, however, was significantly more; part of the production was used internally.

The targets for the year could be attained to the extent of 93 per cent in the case of the Debari zinc smelter and 92 per cent in the case of mining and concentrates output in the Zowar complex. The utilisation of the 45,000 tonnes capacity Debari smelter improved to about 62.2 per cent from 58 per cent in the previous year. The Tundoo lead smelter as well as the Vizag zinc and lead circuits performed well. The Tundoo lead smelter yielded production approximating 80.9 per cent of its 8,000 tonnes installed capacity and the Vizag lead circuit 80 per cent of its 5,000 tonnes available capacity.

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The zinc circuit at Vizag turned out 23,062 tonnes output from a capacity of 30,000 tonnes. The last year was the first year of integrated operations at the Vizag project. Parts of the overall zinc and lead capacity, however, are yet to be fully commissioned; the uncommissioned capacities being 5,000/6,000 tonnes in the case of zinc both at Debari and Vizag and 5,000 tonnes in respect of lead at Vizag.

The build-up in production has been quite striking in the last quarter ending March 31, when the targets for this quarter were mostly exceeded. Along with the expectation that full capacity will be available for utilisation, at least in the case of zinc, by the middle of this year, the current build-up in production is anticipated to yield this year further improvements in output. The Zowar complex is expected to produce 1,150,000 tonnes of ore and 88,400 tonnes of zinc and lead concentrates—equal approximately to the rated capacity. The Agnigundala mine in Andhra Pradesh will provide another 2,745 tonnes of lead concentrates.

production plans

The metal production is envisaged to be raised to 35,000 tonnes of zinc ingots at Debari and 24,000 tonnes of these ingots at Vizag—90 and 80 per cent of the available capacities at the two smelters—and 15,000 tonnes of lead at both Vizag and Tundoo—equivalent to nearly 83 per cent of the available capacity. The outputs of sulphuric acid, cadmium and phosphoric acid are expected to be stepped up to 105,000 tonnes, 200 tonnes and 15,000 tonnes, respectively. The overall turnover, which improved from Rs 38.10 crores in 1977-78 to Rs 59 crores last year, is anticipated to go up this year to Rs 87 crores.

The profitability of the undertaking improved last year to some extent, as it yielded, on provisional assessment, a profit of Rs 75 lakhs, as against less than Rs 2 lakhs in the previous year. It continued to be adversely affected by the depressed prices of zinc in the international market, which was responsible for a sharp erosion in profit in 1977-78 compared to the previous two years—Rs 3.55 crores and Rs 4.30 crores net in 1976-77 and 1975-76. The net zinc price realised by HZL declined from Rs 11,475 a tonne in March, 1977, to Rs 8,244 a tonne in March, 1978, and further to Rs 7,719 a tonne in April last year. Zinc prices were booming in 1975-76. There has been a slight improvement in the realised prices subsequent to April, 1978, the realisation being Rs 8,370 a tonne in October last and Rs 9,500 a tonne in January.

rising power rates

The prices of lead and silver of course, have held well, compensating slightly for the loss on account of depression in zinc prices. The profitability last year was affected also by nearly four paise a unit rise in the electricity cost, the additional expenditure incurred on this account being approximately one crore rupees. The recent firming up of the zinc price should augur well for the profitability this year. But power rates are likely to be put up further by three to four paise a unit.

The overall last year's requirements of zinc (105,000 tonnes) were met from domestic sources to the extent of 65,000 tonnes. Besides HZL's output of 51,000 tonnes, production of 14,000 tonnes came from the Kerala smelter in the private sector, based on imported concentrates. This year, the domestic output is expected to meet nearly 70 per cent of the requirements of zinc. The nearly 60,000 tonnes demand for primary lead will be met from indigenous sources this year to the extent of 15,000 tonnes. A major dent on the import bill on this score will be caused by 1982-83, when domestic production will account for approximately 40 per cent of the then requirements (around 68,500 tonnes). The exploitation of the Sargipali (Orissa) lead mine has been recently sanctioned by the government. Entailing an outlay of nearly Rs 11.9 crores, this project will be fully operative by 1982-83. Expansions of the Tundoo and Vizag lead smelters to 10,000 tonnes and 20,000 tonnes, respectively, have been approved in principle. They will raise the installed lead-making capacity to 30,000 tonnes. The overall zinc capacity already licensed is 95,000 tonnes. It will be available for full utilization later this year.

Take-off in petrochemicals

THE INAUGURATION of the Rs 400-crore Indian Petrochemicals Corporation (IPCL) complex near Vadodara a few days ago by the prime minister, Mr Morarji Desai, not only means the materialisation of an ambitious development programme in the state of Gujarat, based on its oil and natural gas resources, but also the beginning of a take-off in the production of petrochemicals in the country. Modest attempts in the field of petrochemicals came to be made in the sixties when the first such project was established in the private sector near Bombay. The Vadodara project was the first integrated petrochemicals scheme to be undertaken in the public sector.

The planning of this ambitious scheme started in the early 1960s, but the IPCL came to be established only about 10 years ago. In the initial stage, the project passed through vicissitudes as a large number of international process licences had to be obtained. Yet its first major unit—the aromatics plant—was commissioned in 1973 to produce annually 24,000 tonnes of dimethyl teraphthalate (DMT), 23,500 tonnes of ortho and mixed xylenes and 17,000 tonnes of paraxylene. Costing Rs 28 crores, it was set up with the process know-how and basic engineering secured from the West German firm of Krupp Koppers. Its detailed engineering was done by Engineers India Ltd (EIL), a government of India enterprise.

The construction of the olefins complex—the second major plant of the project—was taken up in 1974 along with that o some of the downstream units with process licences and basic engineering know how arranged from such countries as th United Kingdom, the United State France, Italy, the Netherlands, Japan an Canada. The commissioning of thes units started in the first half of 1975 an was fully completed last month. Taking into consideration the magnitude of the task involved, the implementation progress cannot be said to be unsatisfactory.

The olefins plant will be producing a wide variety of materials to the capacities indicated in the table below.

It is a matter of gratification that in line with the policy of utilising indigenous materials and talent to the maximum, 60 per cent chemical equipment, 90 per cent electrical equipment and 45 per cent instrumentation equipment were secured from indigenous sources. The detailed engineering, procurement and construction services were performed by EIL and some other Indian concerns.

A modern research centre has been established at the project with a view to absorbing the technology and keeping pace with the highly dynamic scientific content in the process technologies involved. Research work is to be undertaken here in the following directions: analysis and analytical spectroscopy, organic chemistry, catalysis, chemical physics, materials science, biology, and process development and engineering.

Three new schemes have been approved for the expansion of the Vadodara complex. These include: (i) expansion of th capacity of the DMT plant to 30,00 tonnes per annum at an estimated cost o Rs 6 crores; (ii) establishment of manufacturing facilities to produce acrylates t the extent of 10,000 tonnes per annum a a cost of Rs 13.67 crores; and (iii) settin up of a unit to manufacture annuall 55,000 tonnes of PVC at an estimated cos of Rs 43.35 crores.

Olefins Complex and Downstream Units

Production unit		Capacity MTA	Process/Basic Engineering
Naphtha Cracker	Ethylene	130,000	Lummus, UK
	Propylene	78,300	Lummus UK
Benzene Extraction	Benzene	23,600	UOP, USA EIL
Butadiene Extraction	Butadiene	22,000	UOP, USA
Pyrolysis Gasoline	Light Pyrolysis Gasoline	29,300	Procofrance, France Intitute Francais du Petrol, France, EIL
	Heavy Pyrolysis Gasoline	34,600	Indian Institute of Petroleum, Dehra Dun, EIL
Hydrogenation			
Low Density Polyethylene		80,000	ATO, France, Technip, France
Ethylene Glycol Ethylene Oxide		20,000	Scientific Design, USA
Polypropylene		30,000	Montedison, Italy, Techimont, Italy
Acrylonitrile		24,000	Sohio, USA, Badger, Netherlands
Acrylic Fibre		12,000	Asahi, Japan, Kobe, Japan
Polybutadiene Rubber		20,000	Polysar, Canada UOP, USA
Linear Alkyl Benzene		30,000	EIL
Integrated utilities			EIL with Lummus, UK

The Vadodara project will benefit large number of industries by augmentin the production of polyester staple fibre acrylic fibre; various chemicals; intermediates for pesticides, drugs and pharmaceuticals, paints and other coatin materials; synthetic rubber; carbon black plastic materials; etc. They will play a important role in essential areas of th economy and in fulfilling the basic need for food, shelter, clothing, protectio from disease and natural disasters. Th overall output of the project will have sale value of Rs 300 crores before duties After conversion into a host of end products, the value will go up to Rs 3,00 crores per annum.

The second major petrochemical scheme in the public sector, it may b mentioned, is currently being executed a Bongaigaon in Assam. It will go a lon way in further raising the production o polyester fibre and several other petrochemical products.

Telling it as it is

ADDRESSING THE Bengal National Chamber of Commerce some days ago, Mr Torsten J. Lange, regional secretary, Indo-German Chamber of Commerce, offered some very significant comments on industrial stagnation in eastern India. He asked why the gap between the western and the eastern parts of the country should be widening constantly, although the latter was also well-endowed with raw materials and manpower. Between January and September, 1978, for instance, as many as 21 new Indo-German collaborations had been established in the Bombay-Poona region against only four in Calcutta and the whole of West Bengal. In his view, what inhibits investment activities in this eastern state is the legacy of the high degree of labour unrest, apart from political instability, which had plagued it in the 'sixties. West Bengal's economy is still paying for this in the form of a hold-up in the development of infrastructural facilities such as power supply and the tele-communication systems. Worse still, industrial relations have not yet been able to get rid of the psychological shackles of distrust and a lack of common purpose. Inter-union rivalries, especially, are playing havoc with manufacturing or trading activities and while there is constant talk of the importance of encouraging labour-intensive production, the essential preliminary of ensuring peace on the labour front remains unattended to.

West German investment in India has increased only slightly to DM 176 million, although the global total of West German foreign investment was more than five billion DM (net) in 1977, with developing countries collectively taking in DM 1.5 billion. Although more than 900 Indo-German collaborations have been sanctioned in the course of years and West German industry has been providing the second largest number of partners for Indian industry in the last six years, West German businessmen do not at present feel encouraged to invest in India in a big way, partly because government regulations and restrictions do not favour liberal entrepreneurship. Still a delegation of representatives of medium-sized industry will be coming from West Germany during the second half of this year to identify areas of possible industrial collaboration. This delegation would be prepared to discuss transfers of technology. Mr Lange believes that India, including its eastern region, could benefit from this mission provided the will is there.

IAAI's debut abroad

The International Airport Authority of India (IAAI) has scored in Libya. It has successfully completed within the given tight time schedule the Rs 43-crores Ghat airport project. The scheme involved the construction of a 3,600 metres long main runway, a secondary runway having a length of 1500 metres, a parallel taxi track and the main apron, nearly 1,400 kms south-west of Tripoli in very difficult terrain. Started in the mid-1976, the project was handed over to the Libyan authorities on April 3. The work involved the meticulous planning of the logistics of moving men and materials over 1,400 kms mostly of desert sand, from the capital city of Libya. Wells had to be sunk very deep to provide water. The IAAI, a public sector company, took another public sector enterprise—the National Building Construction Corporation—as its associate for completing the assignment.

The satisfaction of the Libyan authorities with the above job is fully reflected in their entrusting to the IAAI the additional task of designing and constructing the terminal building at the Ghat airport. This construction work has been taken in hand. The building has been designed in accordance with Islamic architecture, and the engineering will be directed towards protection from high temperatures and desert storms.

Including the above project, the IAAI has already contracted consultancy and construction jobs in Libya worth Rs 77 crores. A second airport project, costing Rs 22 crores, is being constructed by it at the third largest city of Libya—Brak.

The IAAI has another contract for building the Rs 8.6 crores Hulule airport in Maldives and a consultancy job for designing the airport at Mafia in Tanzania. Several west Asian nations have shown interest in getting the terminal buildings at their airports designed and constructed by the IAAI.

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Currency crosscurrents

MONEY CONTINUES to make a monkey of man. The currency markets are at their antics again. If the third quarter of last year saw the dollar being mercilessly battered down, the second quarter of this year finds the yen turning yellow. The latest increases in OPEC prices are expected to bear down particularly on Japan's export-oriented economy, since its heavy dependence on imported oil makes it specially sensitive to the cost of fuel. With foreign bank branches in Japan unloading their yen holdings and acquiring dollars and major Japanese importers hedging against the depreciation of the yen, the Bank of Japan, from the beginning of this month, has had a hard time intervening in the Tokyo foreign exchange market. At one point, the US dollar touched Y214.90, its highest level in over nine months. This was in spite of the fact that the Bank of Japan had invested about one billion US dollars in its attempted shoring up of the exchange rate of the yen.

Meanwhile the dollar and the pound have been appreciating against the major currencies, with the pound being marked up against the dollar as well. Britain's currency rose sharply on March 26 to its highest level for more than a year, at £=US$2.0550 (subsequently closing at US$2.0928 on April 10), on the strength of the growth of North Sea oil output, which has become all the more valuable thanks to the OPEC production and pricing plans. In February, the output of oil from the 12 producing fields in the UK sector of the North Sea hit a new peak, with an average daily production of more than 1.5 million barrels, an increase of over 43,000 barrels in comparison with the January figure. Later this year two more fields are scheduled to go on stream. North Sea production in 12 months from March 1, 1978 to February 28, 1979 was 57 million tonnes. Output is now running at a rate which would enable Britain to become self-sufficient in oil by the target date of mid-1980.

The Organization for Economic Cooperation and Development (OECD), moreover, has weighed in with a forecast that Britain could have a $2,000 million surplus on its balance of payments on current account in 1979. This compares with the corresponding surplus of around $500 million last year. While the volume of non-oil exports is expected to rise by 2½ per cent, total exports including oil will rise by 4¼ per cent. Simultaneously, the rise in the volume of imports of non-oil goods is expected to decline from 7½ per cent last year to five per cent this year, with the total import growth slowing down to 2½ per cent. Exports of services in real terms will also grow a little, whereas imports of goods and services promise to rise by less than half of the 1978 rate. Giving a good chit to the managers of Britain's economy, the OECD report lists their major achievements in 1978 as "the recovery in productive investment, the continued fall in unemployment, the maintenance of approximate balance in the
external account, the substantial reducti
of price inflation and the relatively sta
exchange rate at a time of a substant
rise in domestic demand".

St Margaret vs dragor

BRITAIN'S LABOUR government, howev
may well ask ironically how many vo
the OECD has got. Right now, after l
ing in the Commons on a Conservat
motion of no confidence by a margin
one vote, prime minister James Callagh
has been forced to hold a general electi
earlier than it had intended doing. Wh
Britain goes to the polls on May 3, t
issue, as the Conservatives would seek
pose, is Labour's ability or the lack o
to tame, in the words of *The Economi*
"the union dragon". The opposition w
no doubt seek to raise this issue in t
wider context of the rival socio-econom
philosophies of the two major politic
parties but here Labour's main talki
point may well be whether the lead
of the Conservative party, Margar
Thatcher, is in fact of prime ministeri
timbre. Given her intellectual rigidities a
lack of experience of high public offic
may not this be 20th century (femal
version of St George merely breaki
her lance against the union dragon, a
in the process even breaking Britain its
ideologically in a manner which cann
do it any good? For the present, howev

the London capital and currency markets do not seem to have time for this gloomy foreboding. On the contrary, Labour's defeat in the Commons, followed by the announcement of the poll date, has been bullish for share values and the pound too has been further strengthened in the exchange markets.

Dollar does well

Rather interesting is the way the dollar has been taking the OPEC price spurt in its stride. When the basic oil prices were raised by nine per cent on March 27, with a warning that surcharges were being planned, the US dollar actually improved against both the Deutschemark and the Swiss franc, apart from the yen and its trade-weighted average was marginally better at 84.7. The explanation then was that the OPEC price announcement had been discounted in earlier trading and that the price increase was less than what was feared. But this does not explain everything, for the dollar has continued to be steady even after the steep surcharges subsequently announced by some of the petroleum exporting countries. The increases effected by Abu Dhabi, Qatar, Iraq, Kuwait, Venezuela and the three north African producers, namely, Nigeria, Algeria and Libya are expected to push up price averages by anything from 24 to 31 per cent in the current quarter of this year as compared with the final quarter of last year. Even if Saudi Arabia sticks to its decision not to charge more than the basic OPEC increases, nearly three-quarters of OPEC's production is likely to be traded in at prices boosted by the surcharges.

Crude Oil Price Increases

(US $ per barrel)

	4th quarter 1978	1st quarter 1979	1st quarter 1979 plus surcharge	2nd quarter 1979	2nd quarter 1979 plus surcharge	% increase Dec 31
Abu Dhabi Murban	13.26	14.10	15.12	15.30	17.10	29
Qatar Dukhan	13.19	14.03	15.05	15.30	17.04	29
Kuwait	12.22	12.83	14.03	13.99	15.19	24
Iraq Basrah Light	12.66	13.29	14.49	14.50	15.70	24
Saudi Arabian Light (marker)	12.70	13.34	—	14.54	—	14.5
Algeria Saharan Blend	14.10	14.81	—	16.15	18.55	31
North Sea Forties*	14.00	15.50	—	18.00	—	28

*Estimated prices.

Will Carter deliver?

Compared with the large burden placed on some of the oil importing countries by the quadrupling of oil prices in 1973-74, the current increases may not be backbreaking. Nevertheless, the fortunes of the US dollar are clearly wound up with world confidence in the energy policies announced by the US president on April 5. (Earlier, on March 7, a Treasury official had claimed that the dollar had weathered recent disruptions in the world economy and that the US had made net use of only the equivalent of $ 5 billion in support operations as against $ 30 billion of resources mobilised for the purpose.) American oil imports had gone down more than seven per cent or about 400,000 barrels a day in 1978, but this was due to increased production from Alaska. Alaskan production has been levelling off since and continental US production continues to decline. This has been reflected in the trend in the last quarter of 1978 when US oil imports were up nine per cent above the comparable 1977 period and, in fact, imports in the last week of last year hit an all-time record.

The Energy secretary, Mr Schlessinger, however, assured a senate select committee last month that the US was confident of meeting its commitment to its allies to save one million barrels of oil a day by the end of the year. This obviously would be part of the touchstone on which the new energy programme would be tested.

domestic production

This programme places the emphasis squarely on increases in the domestic production of oil and gas. This purpose is sought to be achieved by the decontrol of oil prices which will begin on June 1. Since producers will also reap the benefit of free market prices in respect of oil already discovered, the president intends imposing a windfall profits tax on the oil companies. The proceeds will go into an energy security fund, which will be used to protect low-income families from energy price increases, build a more efficient mass transportation system and put American genius to work solving long-range energy problems. The president, however, has recognised that the windfall tax proposal will be countered by fierce lobbying by the oil companies and he has appealed to public opinion to bring itself to bear on Congressional reception of his move.

Earlier the Commerce secretary, Juanita Kreps, had some reassuring news to give on the trade deficit. She disclosed that, marking a departure from the trend o the past three years, US exports of capital goods increased in value by about 2 per cent over the first half of the year

Imports, on the other hand, flattened as the year progressed. If these improved trends continue, they will provide a needed and welcome change in the United States' "most important trade category".

USSR sitting pretty

In the troubled oil world, the USSR is one country which seems to be sitting pretty. The world's leading producer reports that, beginning with 1958, its oil output has been rising by about 100 million tonnes every five years. This is claimed to be the highest growth rate in the history of the world oil industry. Soviet petroleum output in 1977 was estimated at 550 million tonnes (including gas condensate), accounting for nearly a fifth of the global output. The USSR claims to be leading also in oil technology and oil equipment production and is at present testing successfully the world's first automated drilling rig, which is expected to go into commercial production this year. In the natural gas industry the USSR comes after the United States which is the world's largest producer. Soviet output was 346 millions cu. m. of gas in 1977 and the gas supply covers domestic fuel requirements to the extent of 70 per cent in cities and 50 per cent in rural areas. It is also claimed that 170 million people in the USSR use gas for household purposes at a price which is the lowest in the world. For example, a family of five pays about one dollar a month for gas.

No paper tiger

The caveat entered by the While House against the proliferation of nuclear weapons cannot be regarded as a paper tiger any longer. It bared its fangs with the decision of the Carter administration to cut off development aid to Pakistan, which has been charged with stealthily attempting to acquire nuclear weapon capability. Although this move has come soon after Islamabad's withdrawal from the CENTO and the hanging of Bhutto, it is presumably a decision taken on the basis of an appraisal over a period of US strategic interests in several sensitive parts of the world. Though president Zia has been declaring over and over again that his regime has no plan for making a nuclear bomb, it is now well established that Pakistan has been shopping in western Europe for bits and pieces of know-how and equipment for building an atomic plant capable of producing weapon-grade material. It seems to have progressed also in acquiring detonating technology to a stage where it may hopefully plan for the fabrication of a functioning nuclear bomb. On the question whether the US has acted soon enough to arrest Pakistan advancing further in this direction, many countries, including India, seem to have reservations. However, if certain west European countries, notably France, were to decide even at this eleventh hour not to have anything more to do with Pakistan's nuclear weapon programme, it may not be too late to stop the Zia regime from further playing with fire.

Shipping becalmed

New orders for ships all over the world dropped to the lowest level for over 13 years under the impact of the four-year-old shipping recession. All of the major shipbuilding countries saw their order books shrink. The situation was described as disastrous by Mr R.A. Huskisson, chairman of the Lloyd's Register of Shipping. In his statement reviewing 1978 and making forecast for 1979 in the annual report of the classification society, Mr Huskisson pointed out that the new orders for shipbuilding in 1979 were not likely to exceed eight million grt whereas the capacity demonstrated by the industry was for producing 30 million grt. He gloomily forecast: "Many of the world's leading shipyards—vastly experienced, superbly equipped and highly efficient—are now without orders or the prospect of orders and it seems almost certain that only about half of the industry will survive through the lean years before recovery begins and substantial orders are again available".

The returns from Lloyd's Register of Shipping reveal a total world order book of 25.8 million gross registered tons at the end of December 1978, compared with 36.7m grt a year earlier. Almost 69 per cent of this order book is due for delivery by the end of 1979, indicating that conditions are going to continue getting tougher for shipyards for at least another 12 months. Japan retains just over 25 per cent of the industry's order book, with 6.5m grt, but the second place is taken by Brazil with 2.8m grt. Brazil's shipyards are to a large extent cushioned against the recession by the government-backed ordering programmes. Behind Japan and Brazil come the following countries, showing their order books at the end of 1978 and the figure for one year earlier in brackets—US 2.6m grt (3.6m); France 1.5m (2m) ; Poland 1.4m (1.8m); Spain 1.3m (1.9m); UK 1.2m (2.2m) ; Sweden 1m (2.1m) and South Korea 0.7m (1.1m).

In December, 1977, there were 10.3m grt of oil tankers on order, compared with 6.6m grt at the end of 1978 and 10.7m grt of bulk carriers, compared with 5.9m grt. In the general cargo classification, however, there was a much slower rate of depletion. A large number of orders for bulk carriers and tankers were converted into general cargo ships. Mr Huskisson admired the strategy of shipbuilding nations such as Japan who quickly changed their pattern of shipbuilding.

The prospects for some advanced shipbuilding nations in the west appeared more gloomy. Britain, for instance, is to close its Haverton Hill, Teesside, shipyard with the loss of 900 jobs. This is the first shipbuilding yard to be closed as part of a programme, still unratified by the government, to shed 12,300 merchant shipbuilding jobs by 1980-81. Under the terms of the plan, British shipbuilders want to switch another 6,000 men from merchant to warship building.

Third World plans

Some of the third world nations, in spite of the difficulties and lack of orders for export, were determined to build facilities for the construction of their own ships. Malaysia, for instance, has plans for a new shipyard. The country's chief export being timber, the shipyard is to embark on a series of log carriers. The Malaysian government is planning to back the project.

Mr Huskisson also saw China as an important buyer of ships. This could be a redeeming factor in the world economy during the next few critical years and offer some hope to the shipping industry, he added. China has bought 228 ships in the last three years and now controls well over half of its own seaborne trade, according to a Lloyd's study. The study also confirms other recent estimates that the Chinese fleet now comprises 680 deep-sea vessels totalling over 10 million deadweight tonnes.

Wo(men) and jobs

The Soviet worker, so it is boasted, enjoys every form of social security provided by international practices, save one. The exception is unemploment benefits for which there is no need, since the USSR is "a land of full employment." Says Leonid Korenev, an analyst of the Soviet economic scene, "Not a single person from among the more than 108 million-strong economically active population has ever been to a labour exchange." In fact, as far back as in December, 1930, the Soviet press, according to Mr Korenev, had reported that "the last jobless has left the labour exchange." Soviet central planning, he suggests, has succeeded in matching all the available manpower resources with the possibilities of using them for the expansion of the economy.

Charlotte Astor, writing from the United States, has a different success story to tell. A record number of women serve in high-ranking government positions across the land, mirroring the massive movement of American women into a man's world and, so she says, continuing their steady march to the corridors of political power. Women now hold around 10,000 key positions in federal, state, county, or city offices and, in the most recent nation-wide elections, held in November, 1978, women boosted their membership in state legislatures, doubled their lieutenant-governorships and won elections to six statewide judicial offices, six state treasurer jobs and 10 secretary of state posts.

The Economic Commission for Europe has dwelt on a less exalted aspect of womanpower in a recent report on the employment situation in west European countries. It has identified the long-run tendency for female activity rates to rise as a lasting factor in the speeding up of the growth of the potential labour force in this region in the period from 1975 to 1985. Two other contributing circumstances are the relatively large increase in the number of people reaching working age largely because of the "baby boom" of the late 1950s and early 1960s and the number of people arriving at retirement age being low consequent on the low birth rates during and immediately after the first world war.

This increase in the potential labour supply between 1975 and 1985 is in many respects a deviation from what appears at present to be the underlying long-term trend. Falling birth rates since 1965 indicate a sharp slowing down in the growth of the labour force and even a decline in some west European countries in the last 10 or 15 years of this century. Not surprisingly, the flow of women into the work force, while augmenting labour supply now and for the proximate future, is tending to depress it over a longer period as more and more women, sold on their bread-winning economic independence, are opting out of child-bearing. This problem has already become serious enough in the Federal Rapublic of Germany for Bonn to swallow its pride and turn to East Berlin for lessons on incentives for motherhood; the German Democratic Republic has been notably successful in inducing working mothers to go in for larger rather than smaller families.

Meanwhile, the working age population in 13 western European countries combined is expected to grow at 0.7 per cent annually between 1975 and 1985, compared with an annual rate of about 0.5 per cent between 1965 and 1975. The acceleration occurs in all countries except Sweden, where the rate of growth of the working age population is expected to be zero between 1975 and 1980.

A common feature throughout western Europe is the relatively rapid growth between 1975 and 1980 of the population aged 15-44, and the relatively slow growth, or decline, of the number of people in the 45-64 age group. For the 13 countries combined, the projected increase in the population of working age between 1975 and 1980 of about 5.6 million persons, or 0.6 per cent a year, is due entirely to the 15-44 age group.

But in the 1980-1985 period the population of western Europe as a whole will be clearly ageing: the increase in the total population of working age should amount to 7.7 million persons, but more than half of this rise will be in the 45-64 age group.

This large shift in the relative importance of the two age-groups between the two periods is almost entirely due to changes in the age structure in the Federal Republic of Germany and in Italy.

In a number of countries the relative rejuvenation of the potential labour force will continue into the first half of the 1980s, namely, in Denmark, Ireland, the Netherlands, Norway, Sweden and the United Kingdom.

The study contains detailed projections of activity rates, by age group and sex. The net effect on labour supply of activity rate changes is generally small though positive, but this conceals a number of divergent movements (falling rates for men, rising rates for married women, for example) which may have important implications for policy.

Chad: poised for partition

Repeated efforts to enforce peace in Chad, a central African country, with a Muslim majority concentrated in the north and a Christian minority which, however, is numerically superior in the south, are proving shortlived. The country, therefore, is heading for a partition on religious lines. Last summer Hissene Habre, the present prime minister, had broken away from the underground guerrilla organisation, the National Liberation Front (Frolinat), to join the government of Felix Malloum, who is the president. This national reconciliation agreement, however, failed to bring peace because the Frolinat did not suspend its subversive activities. In fact, Frolinat, made up of guerrillas from the Muslim north, has taken over more than three quarters of the country during 12 years of civil war.

Towards the middle of February this year forces loyal to Hissene Habre gained the upper hand after days of intense fighting and besieged president Felix Melloum and his troops at the capital's international airport. The evacuation of French residents gathered at the French military base in the capital, N'Djamena, was intensified. Malloum had to set up an improvised command post within the perimeter of the airport. Habre's forces used heavy mortars, "stalin organ" multiple rocket launchers and automatic weapans in the fighting that raged throughout the night for the control of the northern suburbs of the city.

the agreement

The rival factions in the civil war met again in the northern Nigerian city of Kano on March 16. An agreement was signed between president Felix Mallcum, prime minister Hissene Habre and the heads of two more armed groups involved in the struggle for supremacy in this former French African colony. The representatives of five neighbouring countries also participated in the finalisation of the agreement, which was expected to provide for a general ceasefire and amnesty for political detenus, and the release of hostages and prisoners of war. Nigerian peacekeeping troops already in the country are to provide a neutral force to police the agreement, the parties to which are to set up a provisional government of national unity until elections can be held. France proposes to withdraw its forces from Chad in a gesture clearly aimed at boosting the chances of the "national unity" government.

News coming after the agreement, however, do not auger well for its implementation. The black Christian and animist populations of the south, which are loyal to president Malloum, seem to be active against the Muslims, who are a minority in that region. At least 10,000 persons, mostly members of the Muslim community were said to have been murdered in the recent flare-up of tribal violence in the southern region. The killings, probably the biggest tribal slaughter in Africa since the 1972 extermination of an estimated 100,000 members of Burundi's Hutu tribe, were resumed in outlying villages recently following several weeks of calm. The Muslim minority holds a virtual monopoly of the retail trade and the money-lending business in the area. A secessionist movement calling itself "the United Front of the South" is openly calling for the breakaway of the non-Muslim southern provinces for setting up an independent state or join neighbouring Cameroon.

Boeing boom

SOME TIME ago, in Rajya Sabha, when the shortage of aircraft plaguing the Indian Airlines was being discussed, the minister for Civil Aviation and Tourism pleaded that jet planes could not be bought off the shelf. Mr Piloo Mody offered to help, provided he could have the assurance that some one along the way would not get a chance of pocketing a commission; he did not make it clear whether he himself was expecting brokerage. Seriously, it is a fact that aircraft manufacturers do have a lengthening order book, despite faster deliveries. The Boeing Company, for instance, reports that both new order announcements and deliveries are continuing apace. To the end of February this year the announced orders for the various models totalled 63 compared with 23 for the comparable period of last year, while deliveries were 39 planes as against 18.

Boeing Jetliner Monthly Summary
(Month ending February 28, 1979)

	707		727		737		747		757		767		All models	
	February	Total	February	Total	February	Total	February	Total	February	Total	February	Total		Totals to date
Announced Orders														
Foreign	0	334	5	453	5	447	7	289	0	19	0	4	17	1,546
Domestic	0	606	11	1,209	0	246	2	165	0	21	0	80	13	2,327
Total	0	940	16	1,662	5	693	9	454	0	40	0	84	30	3,873
Deliveries														
Foreign	0	334	2	415	2	350	2	220	0	0	0	0	6	1,319
Domestic	0	597	8	1,031	2	206	0	134	0	0	0	0	10	1,968
Total	0	931	10	1,446	4	556	2	354	0	0	0	0	16	3,287
Customers														
Foreign		53		56		66		45		1		1		135
Domestic		22		39		17		15		1		3		52
Total		75		95		83		60		2		4		188
Operators														
Foreign		120		70		66		41		0		0		191
Domestic		25		25		11		10		0		0		51
Total		145		95		77		51		0		0		242
Total Revenue Hours		34,610,000		29,943,974		7,848,096		6,385,385						78,787,455
Total Miles Flown		16,712 mil		12,454.3 mil		3,061.4 mil		3,193.2 mil						35,420.9 mil
Total Passengers Carried		598 mil		1,185.2 mil		520.1 mil		230.4 mil						2,533.7 mil

Source : Boeing Commercial Airplane Company, Seattle, Washington.

Cover story

White tiger, who made you?

Tiger! Tiger! burning bright
In the forests of the night,
What immortal hand or eye
Could frame thy fearful symmetry?

This evocation from William Blake's famous poem does not of course apply to the white tiger. When he wrote, the white tiger was perhaps hidden in the unseen areas of central Indian forests or, perhaps, it was still in the womb of time. In any case, it was only of the tiger of the black stripes across the golden body that he could have sung

"Tiger! Tiger! burning bright
In the forests of the night".

The white tiger is undoubtedly a less colourful beast, but it is a rare animal and therefore highly prized—and highly priced as well.

The common or garden tiger has a reddish-yellow to rust-brown colouration on the upper side, while its underside it whitish. The body is streaked with black stripes, although in the young ones the stripes begin as grey-brown. The white tiger is light ivory-coloured white or creamy-white, with typical black-brown stripes, pink nose and pads and pale blue eyes which often turn yellowish when the animal is excited and the pupils are opened very wide. They are not albinos.

The recent induction of the white tiger in India is a unique development in the animal world and constitutes a biological adventure of uncommon scientific significance. The entire population of the strain of white tiger *(white mutant of Panthera tigris)* in the world today is the outcome of a brilliant plan and its successful implementation by the former maharaja of Rewa state, Mr Marthand Singh.

In a paper read at the International Tiger Symposium in New Delhi in February this year, Dr M. M. Pant of the Indian Forest Service, who is with the Forest Research Institute and Colleges, Dehra Dun, and Dr I. D. Dhariyal, Lecturer, department of Mathematics, Indian Institute of Technology, Kanpur, surveyed briefly the breeding of the white tiger in captivity in our country and its propagation nationally and internationally. They stressed the economic potential of this rare animal as an export asset and pleaded for a national plan of organized breeding of white tigers in the zoological gardens and national parks. They have suggested that this programme should be incorporated into the "Project Tiger". We are publishing their presentation here, after taking some minor liberties with it, purely for the purpose of editing.

In this paper an attempt has been made to analyse the available data on the breeding of white tigers in captivity in the world. The object is to find out what colour combination of males and females always leads to the production of white tigers as also to analyse the results in the light of Mendel's genetic theory.* The paper also analyses certain economic aspects of the subject and examines the possibilities of developing white tigers as a commercially valuable export.**

White tigers were the sole property of the maharaja of Rewa since May 1951 to May 1963 and were in great demand all over the world. The maharaja sold one of the cubs, Mohini, one of the 1958 litter, to the Washington Zoo in 1960. The government of India, on learning of this transaction immediately imposed a ban on the export of white tiger cubs and started negotiations with the maharaja. The white tigers constituted a unique national asset and the government's anxiety about their conservation and propagation was but natural. After protracted negotiations, an agreement was reached in May 1963 between the maharaja of Rewa and the government regarding the disposal of 10 tigers (eight white and two normal coloured heterogygous for coat colour). The maharaja agreed to make a 'gift' of two normal coloured tigers and a pair of white tigers to the Delhi Zoological Park; four white tigers were to remain his private property and the remaining pair of white tigers (Mohan and Sukeshi) was to be maintained at Rewa at the expense of the government. In addition, an important condition of the 'gift' was that the litters of the two pairs of white tigers gifted by the maharaja were to be shared equally between the maharaja of Rewa and the government. The first female cub was to be included in the maharaja's share. The maharaja was at liberty to dispose of his share of the white tigers in any manner he liked. The government also agreed to permit the export/sale of the four white tigers which the maharaja was entitled to retain. He sold two of these, Champak and Chameli, to the Bristol zoo in June 1963 and later two more were sold to the Alipore zoo.

Mohan and Sukeshi stopped breeding in 1968. Soon Mohan the progenitor of the white tiger fell ill and eventually died in December 1970. Sukeshi was then presented to the maharaja who, however, considered it more appropriate to send her to the Delhi zoo as an exhibit.

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*Austrian Monk, Gregor Mendel, (1822-84) discovered two basic rules of inheritance which laid the foundation for all later advances in understanding the process of heredity.

**The data for this study have been obtained through the kind courtesy of Mr M.B. Peter, Director and Dr J.H. Desai, Joint Director, Delhi Zoological Park. Mr Vinod Rishi of FRI, Dehra Dun has helped in data collection process. The authors acknowledge valuable help of Mr S.P. Sahi, IFS, in writing this paper.

Under the agreement between the government and the maharaja, the latter was entitled to 50 per cent of the white progeny. However, the entire cost of maintenance upto the time of the division (5-6 month old cubs) was to be borne by the government. According to the terms: (i) at Rewa, the white tigers were to be fed on mutton at 12 kg per head per day, although mutton was more expensive than beef fed in equal quantity to the white tigers at Delhi; (ii) two tigers were to be maintained at Rewa by the government (the cost of supervision in Delhi was nominal because the same zoo keepers looked after other animals, whereas at Rewa supervisory staff was needed for only two tigers). As a result of this agreement, the maharaja of Rewa got six white cubs as his share.

In Mendel's time it was generally supposed that if alternative forms of a trait are cross-bred, a blending of the traits would result. Thus if grey and black parents mated, like paints. a dark grey coloured offspring should be produced. Mendel was the first to reach the conclusion that blending of inheritance did not occur and that traits remained distinctly intact. His law of segregation states that: "Genes do not blend, but behave as independent units; they pass intact from one genaration to the next, where they may or may not produce visible traits depending on their dominant characteristics".

If we hold that white coat with black stripes instead of the normal brown pigment with black stripes as a trait, then the actual breeding of white tigers of 26 mating pairs (producing 193 cubs in 71 litters) shows that there is no blending of the white and brown colours—a result strictly in accordance with Mendel's Law of Genetics. The offspring are either white or normal coloured, but never a mixture of the two blends.

Mendel also stated that genes segregate at random thereby producing predictable ratios of traits in the offspring. The white tiger breeding data was analysed by the authors to find out if the colour of the progeny can be predicted from the colour of the parents.

The results, which require further experimentation and analysis, show that:

(i) White male (homozygous recessive) for white mating with normal coloured heterozygous produces 67.5 per cent white cubs in 61.5 per cent litters.

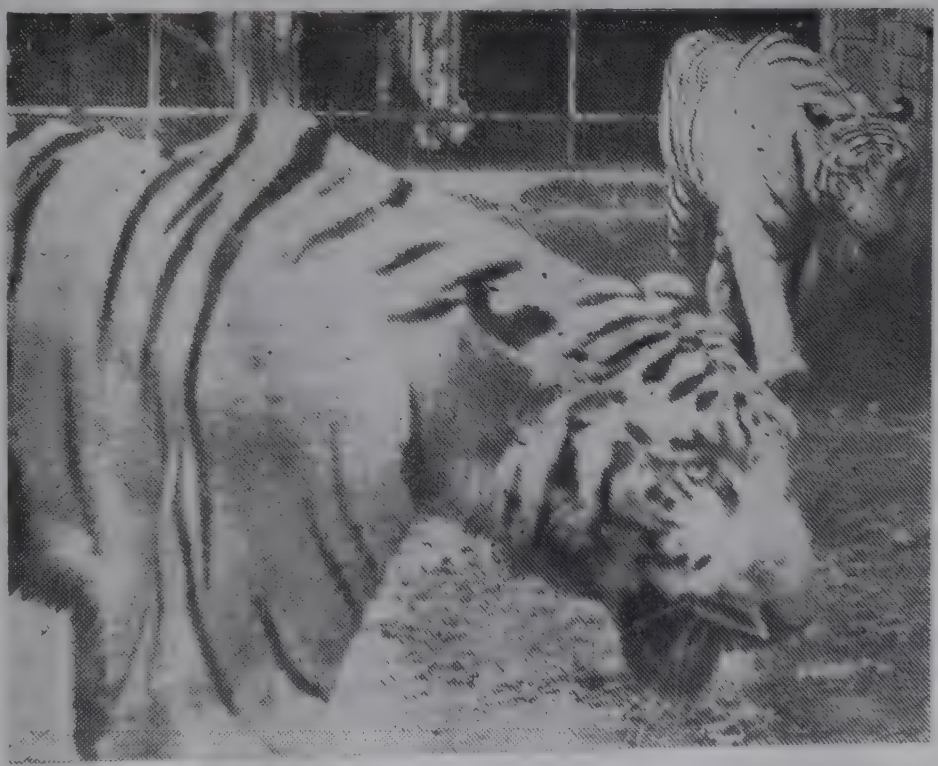
(ii) White male mating with normal coloured female (homozygous dominant) yellow (not having the gene for white colour) does not produce a white tiger and the offspring is normal coloured.

(iii) White female (homozygous recessive) for white mating with normal coloured male (heterozygous) produces 58.3 per cent white cubs in 50 per cent of the litters.

(iv) White male (homozygous recessive) mating with white coloured female (homozygous recessive) produces only white offspring.

The mortality among the cubs was mainly because either they were still born or they were neglected by the mother after birth. These were very pronounced during the first year—61 cubs out of a total of 193, roughly 32 per cent died. Research is therefore needed to develop suitable techniques to minimise postnatal casualties.

The fecundity of white tigers is variable: Mohan, the first white tiger, fathered 34 cubs (21 white and 13 normal coloured) in 15 years; Raja male offspring of Mohan and Radha,



fathered 28 cubs (23 white and five normal coloured) in about eight years; Begum, the progenator of white breed, gave birth to 22 normal coloured in seven litters and had a productive life of seven years; Radha (normal coloured female offspring of Mohan and Begum) gave birth to 23 cubs (15 white and eight normal coloured) in six litters and had 10½ years of cub bearing life; Rani, female offspring of Mohan and Radha produced 18 white cubs in seven litters during seven years.

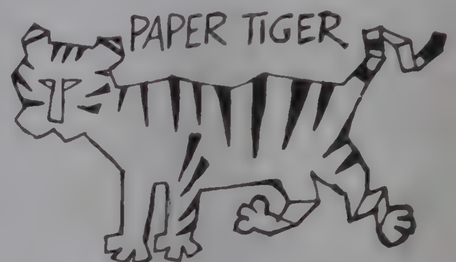
In the zoos, the cubs are weaned at the age of three months. The tigress is mated again in her following oestrus. Within 105 to 112 days, another litter is born. In some foreign zoos the cubs are removed for hand-rearing as soon as they are born and the tigress is mated again when she comes to heat. However, even in such cases more than two litters per year may not be possible. Oestrus can be induced by hormonal injections. A healthy animal responds more readily to the treatment.

For optimum production of white tigers it is expedient to breed 4-year old pairs of white tigers in the zoos. Each female with the cub-bearing span of seven years is capable of producing 15 to 25 cubs. A white tiger may father 15-30 cubs and have a longer breeding life than that of a female. Breeding on a regular basis in zoological gardens should, therefore, constitute an objective of management of white tigers. The objectives are ostensibly twofold: (i) prized exhibit; and (ii) prized commodity of export potential.

In November 1978 there were 37 white tigers in captivity in the world—11 at Delhi, seven at Calcutta one at Gauhati, eight at Bristol (UK) and 10 at Washington (USA). The number of normal coloured hybrid tigers with white colour producing genes inducted during the process of breeding is not known because, unfortunately, their breeding and distribution records have not been precisely maintained. [Howthorn Circus Corporation, Libertyville, Ill 60048, USA, reported on 17.4.1973 that it had an 11 months old white tigress. This tigress—born to one of the female Bengal tigresses with this circus had brown stripes (the Indian white tigers have black stripes) and could possibly be an 'albino'. The circus authorities were interested in propagating the unusual strain.]

In view of the rarity of the white tiger, the normal methods of price determination cannot be applied in its case. Records maintained at the Delhi zoo indicate that white tigers (including normal coloured hybrids having white colour producing genes) are larger in size such as shoulder height, circumference and body length, skull size, etc., compared with their normal coloured counterparts. (Sankhala, 1969). The principal determinant of price in the case of white tigers is, however, not so much their superior breed as the limited supply.

The maharaja of Rewa sold seven of these animals at prices ranging from Rs. 50,000 to Rs. 78,500 per head during the period 1960 to 1967. The price fixation was evidently arbitrary. During the same period, the price of a normal coloured tiger varied from Rs 8,000 to 15,000. The cost of breeding and upkeep of white tigers is only slightly more than that of the normal coloured tigers. (On an average, the annual upkeep and maintenance cost of a tiger in an Indian zoo is Rs 4,000 to Rs 5,000, in Bristol around £500 (Greed, G. R., 1977) and in the Washington zoo $5,000—$6,000 (estimated). Considering this, the much higher prices fetched by white tigers are, a tribute to their value as exhibits.



The first female white tigress was sold to the National Zoological Park, Washington, D.C., for $10,000. Radha's 1960 litter from Mohan (consisting of a normal coloured female and two male white cubs) was sold to Alipore Zoological Garden, Calcutta, for Rs 94,000. In 1963, the Bristol zoo purchased Champa and Chameli a pair of white tiger cubs (born in March 1962) for Rs 100,000. These tigers have since multiplied and presently there are eight white tigers at the Bristol zoo. Unlike other resources, white tiger population can be multiplied by the purchaser, and in turn the owner can bargain arbitrary price.

Presently the price of a normal coloured tiger for sale within the country, as approved by the Agriculture ministry, was Rs 15,000. Its export is banned.

It is difficult to assess objectively the price for a white tiger also because of the typical nature of the sellers' market. The future pricing policy of white tiger may largely depend upon its eventual evaluation at the Bristol and Washington zoos (vis-a-vis that in India). In the meantime nothing, however, can prevent India from formulating its own pricing policy. The following prices for export/barter trade proposed are by no means irrationally based:

White tiger cub, six months to one year old—Rs 100,000

White tiger/tigress over one year and below two years old—Rs 200,000

White tiger pair (over one year and below three years)—Rs 500,000

Normal coloured heterogygous tiger (having the gene for white colour), six months to one year old—Rs 50,000

Further, it may be feasibly advantageous, if the outright sales are royalty oriented. The bases for imposing recurring royalities may be determined through mutual negotiations between the seller (government) and the buyer.

The white tiger may also be bartered suitably for acquiring some rare exotic zoo animals. It may also be used as a goodwill gift from India to friendly countries.

For quite some time to come, white tigers will command a high price in the world market because of their extreme rarity. A separate project to multiply white tigers, therefore, needs to be drawn up. Perhaps, this project could also be a part of the Project Tiger.

Until now the white tiger breeding activity has been left almost entirely to the initiative and drive of the individual zoo directors and staff of the zoological gardens mainly in Delhi and Calcutta; very little attention, if any, has been paid to its economic potential to the country. If concerted programmes for breeding white tigers are taken up, we may, in the near future, have surpluses for export. In this context, we cannot overlook the fact that the white tiger population at Bristol and Washington zoos are multiplying at a fast rate. Given better care, facilities and resources white tiger farming in India can develop faster than those in the UK or the US. Immediate attention is, therefore, needed to develop white tiger farming by adding breeding centres to the zoological gardens in the country. The concentration of closely bred tigers in the Calcutta and Delhi zoological gardens should be reduced so as to minimise possible in-breeding hazards such as congenital defects.

Planning is also needed to introduce fresh blood with a view to evolving new lineages of white tigers. New breeding centres may also be located in Surguja district of Chhatisgarh division and Sidhi district of Rewa division of Madhya Pradesh. The Madhya Pradesh government has already a national park in Bandhava Garh to which can be added a special white tiger breeding unit.

Meanwhile, there is an urgent need for scientifically investigating the unusual casualties among white tigers (still born cubs and those dying within a few days after birth). There is also need for developing a suitable vaccine against feline interitis. Some mortalities can be avoided if hand rearing is undertaken as in Bristol and Washington zoos.

India should take up the white tiger breeding programme energetically. All the requisite factors such as the technique, expertise and ideal climatic conditions are amply available. What is needed is the signal to take off. In the next five years or so, we should be in a position to equip all our zoological parks with white tiger breeding pairs. We should be able to sell our surplus stock to the various zoological gardens and circuses in the world while the demand and price continue to remain high. White tigers are a valuable asset and deserve every possible measure for their organized multiplication and conservation the world over.

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Fed fights to tame the boom

Sudhir Sen

Dismayed by the raging inflation, the Federal Reserve of America clamped down on money supply and rocketed interest rates. The latest economic data have brought a glimmer of hope that the Fed's policy has begun to bite. The Commerce department's composite index of leading indicators dropped sharply over the past few months which, the author believes, may be the harbinger of a devoutly wished for downturn in prices.

For almost two years the overriding concern of the Carter administration was to stimulate the economy and to cut down the rate of joblessness. Even when the recovery moved smartly ahead, with inevitable and mostly winter-induced zigzags, it continued to be haunted by the fear of a recession which, official forecasters believed, might be lurking not too far down the road. How to keep a steady supply of steam behind the economy remained its constant worry ?

Then, suddenly, in the last fall quarter things changed, and the administration made a 180 degrees about-turn. Dismayed by the raging inflation, the slumping dollar, and an almost runaway boom, it decided, jointly with the Federal Reserve chairman, to cool the overheated economy. The name of the game since then has been fiscal and monetary restraint. The Fed clamped down on the money supply and rocketed the interest rates, while the White House undertook to slash the budget deficit. The objective since then has been to slow the economy in an orderly fashion—that is, to effect the celebrated "softlanding"—while steering clear of a recession. That remains the administration's goal, and its hope.

What are the chances of its success ? Since the abrupt change of course heralded on November 1 last, the White House, with fingers crossed, has been watching the key economic signals, but so far it has found few signs of reassurance. For, contrary to its expectations, the economy continues to reveal extraordinary strength. In the final quarter of 1978, it grew at an annual rate of 6.9 per cent in real terms, that is, after adjustment for about nine per cent inflation. The current quarter is unlikely to match this high rate; yet, all the indications are that, despite the ravages wrought by another raw winter, it will be quite high, probably over four per cent, after adjustment for a double-digit inflation.

In February, the jobless rate showed another slight dip, to 5.7 per cent, while the number of job-holders rose by 300,000 to an all-time high of over 96 million. True, there are still six million people who are out of work, but most of them fall in the category of "structurally" unemployed—this means that they would find it hard to get jobs even in a booming economy because they lack the minimum skill or job qualification.

Retail sales surged in the fourth quarter of 1978 and are still continuing strong; in February they rose $441 million to a seasonally adjusted total of $71.5 billion. Auto sales show no signs of slackening—in February they continued at a near-record rate of 11.3 million a year, including two million imported cars. Talks of gasoline shortage have spurted the demand for fuel-efficient small cars.

The housing industry, another major segment of the economy, has boomed ahead despite the historically high mortgage rates. Since 1975 new houses have been built at an average rate of about two million a year. The pace has been unusually strong even by American standards, more so when one considers the cost of a house, which, on an average, has almost doubled in the last five years.

fresh thrust

Business inventories are quite low in relation to the sales. This means that inventory-building by businessmen may soon provide a fresh thrust to the economy. Capital-spending, too, is definitely on the increase. Last year, it rose 13.3 per cent in current dollars, and the rate may be maintained, if not improved upon, in 1979. Spurred by the high level of retail sales and profits—according to the just-released official figures, profits in 1978 rose by 26.4 per cent over the previous year—manufacturers are rushing thei orders for new capital goods.

The rate of capacity utilization is currently estimated at 86 per cent. This somewhat like the jobless rate, almos certainly exaggerates the available slack Much of the unused capacity consists o marginal, if not unusable, plant becaus it is too old and therefore too costly t operate, especially at a time of steepl rising production costs. Besides, the est mates of capacity utilisation have lon been suspect among businessmen wh believe that they substantially understate the actual position. It is significant that around mid-March the steel industry reached one of the highest operating levels in its recent history, utilising as much as 94.6 per cent of its overall capacity. And the steel business is expected to remain strong in the coming months.

The high level of economic activity has generated inflationary pressures which have been further accentuated by other factors, such as a sharp rise in food prices due largely to bad weather and a severe shortfall of beefcattle, and a spurt in energy costs due to the latest price hikes by OPEC.

Meanwhile, the administration finds itself stymied in its fight against inflation since it has already shot whatever bolts it could. On the fiscal front, it has introduced what it called a "lean and austere" budget, though in reality the budget is still too big to merit these epithets. In any case, it cannot make any immediate impact on inflation since the next budget year does not begin until October, although hoisting a signal of fiscal moderation for the next few years admittedly has some psychological value.

torrid pace of inflation

As for the wage-price guidelines which were announced by president Carter in the last week of October to keep the inflation rate down to seven per cent this year, they were too feeble even to start with while, in the intervening months, they have largely lost their relevance as the consumer price index rose to a double-digit area. The CPI for February, which has just been announced, showed another big rise, of 1.2 per cent. This translates into a torrid pace of 14.4 per cent a year.

In the circumstances, the task of cooling the ebullient economy has fallen overwhelmingly on the Fed. But much to its frustration, the Fed, too finds that its capacity to steer the economy has been seriously impaired in today's altered climate. For, its time-tested weapons—money-tightening and interest rate hikes—have been blunted by a combination of factors.

Several years ago, Mr William McChesney Martin who was Fed chairman for about two decades through the 1960's, vividly defined the Fed's primary function as: "taking away the punch bowl just when the party is going good." This is what the present Fed chairman, Mr G. William Miller, has been trying to do for some time, but so far without much apparent success. The reason is that he is no longer in full control of the "punch bowl."

stemming the exodus

In its attempt to regulate the money supply the Federal Reserve, it goes without saying, has to work through the commercial banks. But strangely enough, it never had full authority over these banks; and, worse still, its hold, over them has been slipping for some time. The percentage of commercial bank deposits subject to its control has fallen from 86 in 1960 to about 75 at present. The reason is that a member bank has to keep a portion of its funds with the Fed without earning interest. And to escape from this reserve requirement many small and medium-sized banks are dropping the Fed membership altogether. Mr Miller has been anxious to rectify this anomaly, which, however, calls for fresh legislation. A bill to stem the exodus of banks from the Fed's jurisdiction was introduced in the Congress last year, but at this moment its fate looks rather uncertain.

Then, there is a problem about the very definition of money. The old distinction between M1 (currency in circulation plus demand deposits) and M2 (M1 plus time deposits at commercial banks except large certificates of deposit in minimum amounts of $100,000) has been blurred. Since last November banks have been allowed to make automatic transfer of funds from current to savings accounts, and vice versa, when so desired by the account-holders. Other factors, like the electronic transfer of funds and a rapid expansion of the credit card system, have added to the complications while making it harder for the Fed to compile dependable, up-to-date data about the money supply.

Banks are of course singlemindedly dedicated to their goal of profit maximisation. And so they take full advantage of the spread between their cost of obtaining funds and the interest rate they charge on loans, while trying to keep this spread as wide as possible in their own favour. Even at the time of high inflation they show no inclination to rein in the credit they allow to their customers. On the contrary, they constantly encourage them to borrow more rather than less.

Nor are the banks at a loss to obtain the funds they want to lend if they are willing to pay the price. They can draw freely on the huge Eurodollar market over which the Fed has no control. They have even figured out how to force the hands of the Fed to supply additional funds. The key element in their strategy is the interest rate on the so-called federal funds (the excess reserves kept at the Federal Reserve banks) which banks lend each other overnight. This serves as the benchmark rate from which all other rates are derived, and the Fed tries to tighten or loosen the money supply by manipulating this key rate through its open market operations. This, however, is no secret to the banks; and so they can bid up the federal funds rate beyond the Fed's target range and thereby compel it to inject fresh funds into the banking system to bring the rate down. To the extent this happens, the Fed is controlled by the banks rather than the other way round.

weakened grip

The Federal Reserve's grip on the economy has weakened in another important respect. Traditionally, it has relied on the commercial banks to make its policy moves effective, mostly through expanding or contracting their business loans. Their total loans extended to businesses of all sizes are currently estimated at $142 billion, which is roughly double of what it was a decade ago. But, simultaneously, large corporations have increased their borrowings from each other through commercial paper; such borrowings which fall outside the ambit of the Fed and the commercial banks, have quadrupled to an estimated $88 billion over the same period. In addition, there is the enormous Eurodollar market. According to the most conservative estimate, it has grown elevenfold in ten years—to $300 billion. Others, following a different tabulation, would double the figure and put it around $600 billion!

While there is an abundance of lendable funds, demand for loans, too, has been relentlessly leaping ahead, largely fed by inflationary expectations. Many consumers are buying big-ticket items, like autos and appliances, even at today's inflated prices because they are persuaded that the same items will be, say, 10 to 15 per cent more expensive next year; and to do so they are borrowing with abandon even at the high interest rate of 12 per cent or more. During the current economic upturn, consumers have accumulated debt at a record rate. Total consumer debt amouted to $398 billion in 1969; by 1977 it had grown to $894 billion; and by the end of 1978 it went up to about $995 billion.

Many businessmen reason and act the same way. Expecting that the double digit rate of inflation will continue in the foreseeable future, they find it relatively more attractive to borrow and invest now. They do not feel inhibited by the high cost of money because its "real" cost (i.e. nominal interest rate less inflation) is barely two per cent a year, more so when they expect to earn a return of 15 to 20 per cent on their investments.

housing boom

The same psychology has propelled the housing boom. "Buy now, next year it will be more expensive"—this has been, and continues to be, the stock argument among home-buyers. The current boom has been aided by yet another factor: virtually unlimited availability of mortgage money. In the past, whenever the Fed wanted to slow down the economy, it pushed up the interest rates high enough on short-term securities like Treasury bills; this attracted funds out of the savings institutions which were subject to rate ceilings; supply of mortgage money dried up, and this directly hit the demand for homes and therefore the housing industry. With one of its major underpinnings thus knocked off, the economy would cool down on short order and perhaps glide into a recession. The Fed, in other words, used to snatch away the "punch bowl" from the housing industry to start with, and this, because of its contagious effect, was enough to cool the "party".

Last year the rate ceilings were removed from the savings institutions which were permitted to attract funds by issuing six-month "money-market certificates" in $10,000 denominations and paying on them interest rates a quarter point above the Treasury bill rate. The purpose was to insulate the housing industry from the impact of tight money and thereby to make both housing and the economy comparatively recession-proof. The move proved highly successful; but in the process it detracted heavily from the effectiveness of the Fed's policy.

The present trends, needless to say, cannot continue indefinitely. Sooner or later, they must come to an end. Indeed, the sooner the end comes, the better. For, the anticipatory buying spree is tantamount to drawing a draft on the future purchasing power. The more the consumers spend now to beat the inflation, the less they will be able to spend later. Today's boom will thus pave the way to tomorrow's recession.

Normally, the average rate of saving in the USA is about 6.5 per cent of disposable incomes. But in the last quarter of 1978 it sank as low as 4.6 per cent. At present levels of income, this difference is worth $28 billion of personal consumption expenditures.

The Fed could of course clamp down even harder on the monetary brakes and jack up the interest rates by a few more percentage points to, say, 15 per cent or higher. Such drastic medicine will no doubt cool the economy; it will also plunge it into a deep recession. This is what some ultra-conservative Republicans would warmly recommend. But this is what the Fed and the administration have been anxious to avoid because of its high economic, social and political costs.

The latest economic data have brought a glimmer of hope that the Fed's policy already in force may have begun to bite. The Commerce department's composite index of leading statistical indicators dropped rather sharply in January; this was the third successive decline registered by this sensitive index. Housing starts in February fell 15 per cent, following a 20 per cent plunge in January; this brought them down to an annual rate of 1.4 million, the lowest level in more than two years and 15 per cent behind last year's pace. Durable goods orders rose 0.3 per cent in February; this was a modest increase, especially after January's climb of 2.6 per cent.

All this may be the harbinger of a devoutly wished downturn; then, again, it may not. The majority view, at this moment, is that as soon as the weather improves, the economy will snap back to a much higher level of activity, as it did in the last two years immediately after the winter months. Should the symptoms of overheating reappear this spring, the White House, in all probability, will be forced to take some emergency action, if only to forestall the danger of a delayed downturn coinciding with next year's presidential election. The likeliest action now talked about, though mostly in whispers, is credit control, for which the president is already equipped with the necessary legislative authority. The next few months will be critical. They should unequivocally show the direction of the economy, also what further moves, if any, must be made by the Fed and the administration.

Eastern Economist 30 Years Ago

APRIL 15, 1949

The inauguration on the 9th April of the Indian National Commission of the U.N.E.S.C.O. has provided us another occasion to review our ideals and reaffirm our faith in the principles of the Chapter of the United Nations and the proceedings on this occasion have not failed to impress on the world the sincerity of our feelings in the matter of co-operating with this particulary specialised agency of the United Nations. India, as one of the founder members of the U.N.E.S.C.O., can, perhaps, look back with satisfaction on the role she has played in the activities of the organisation, though our pride in our own Willingness to co-operate in the past should not mislead us into the belief that in itself represents a realisation of either our ideals or the principles of the United Nations. The ultimate object of the Educational, Scientific and Cultural Organisation is the furtherance of the aim of the United Nations to promote international peace and just as the Security Council, 'the General Assembly and other institutions tackle the issues involved on the political plane the U.N.E.S.C.O. strives to foster humanitarian ideals through educational, scientific and cultural relations among the peoples of the world.

Soviet profile in Indian economy

L. Shumilin

Soviet-Indian economic and technical collaboration has been successfully developing for more than two decades now. Its achievements and promises were highlighted by the long-term programmes of economic cooperation projected for a period of from 10 to 15 years and signed on March 14 in New Delhi during the visit of the prime minister of the USSR.

In 1956, the first group of Soviet experts arrived at the invitation of the government of India to study the question of the development of heavy machine-building in this country and for preparing concrete proposals. On the basis of the proposals submitted by this team, the government of India decided to build with Soviet participation two large machine-building plants : the heavy machine - building plant at Ranchi and the mining equipment plant at Durgapur. Later the government also decided to construct the heavy electrical equipment plant at Hardwar and the instruments plant at Kota with Soviet assistance.

Within a short period, large state-owned machine-building enterprises were built in India. These were equipped with highly productive, modern machinery and formed the nucleus of this vital branch of economy.

The creation of these enterprises allowed India in a short period to score considerable progress in achieving economic independence. The plants mentioned above, with the aid of the Soviet experts, successfully mastered the production of a wide range of complex machinery and are playing a leading role in the manufacture of equipment for steel plants, power stations, coal mines, ports, etc.

'plant of plants'

The heavy machine-building plant in Ranchi is called the "Plant of Plants". It manufactures varied products meant primarily for the construction of metallurgical plants.

During its period of operations the plant manufactured about 400,000 tonnes of goods worth 400-crores of rupees. In 1976 a number of Soviet organisations placed orders with the Ranchi plant for equipment intended for Soviet-aided projects in third countries. These orders were placed in accordance with the decision of the third session of the inter-governmental Soviet-Indian Commission on Economic and Scientific-Technical Co-operation. They include manufacture of electrolysers for an alumina plant in Yugoslavia, bridge reloaders for a nickel plant in Cuba, coking equipment and machines for metallurgical plants in Bulgaria, Egypt and Turkey, equipment for continuous casting of billets for a metallurgical plant in Turkey, crane equipment for Hungary and about 19 thousand tonnes of various machinery worth about Rs 30 crores. At present the Ranchi heavy machine-building plant has started fulfilling these orders.

mining machinery

The mining equipment plant at Durgapur under the state owned Mining and Allied Machinery Corporation, has the capacity to produce 45,000 tonnes of equipment per year.

The plant's output includes equipment necessary for mining operations, particularly for coal-mining, loading, underground transport, lifting, ventilation, water-pumping, etc. The equipment will be mainly based on the best Soviet models, but it will also be modified to the maximum possible extent to suit Indian conditions.

Besides supplying equipment for projects in coal and mining industry, the Durgapur plant also manufactures equipment for steel plants at Bhilai and Bokaro, loading and unloading equipment for ports, etc.

As in the case of the heavy machine-building plant at Ranchi, the Soviet organisations have placed orders with the Durgapur mining equipment plant to equip Soviet-aided projects in third countries.

The Hardwar plant accounts for more than 57 per cent of the overall capacity of the country for manufacturing turbo and hydro outfits.

The Soviet Union prepared the necessary technical documentation for the construction of the plant, delivered modern equipment and deputed experts. Besides, the Soviet organisations regularly supply assembly sets, materials and spare parts. All this helped the plant to quickly master the production for turning out the complex power-engineering equipment and to operate it profitably.

turbo generator plant

The plant was the first in India to master the production of turbo-generators with a capacity of 200 MW, which are at present being assembled at various power stations of the country. Soviet experts provide broad help to the plant in assembling, adjustment and commissioning of these units. In August 1978 the first 210 MW turbo-unit built in India was commissioned at the Obra thermal power station.

Direct contacts are being established between projects of Soviet-Indian cooperation and corresponding leading Soviet enterprises. Soviet plants assist their Indian counterparts in mastering and adopting the technology of the manufacture of products, send complete sets of products and fittings, and help in the training of specialists. Co-operation between the Uralmashzavod and the heavy machine-building plant in Ranchi, the machine-building plant named after the Lenin Komsomol of the Ukraine and the Mining and Allied Machinery Corporation in Durgapur, and the Leningrad Electrosila association and the heavy electrical equipment plant in Hardwar may be cited as examples of Indo-Soviet cooperation.

The joint work of Indian and Soviet specialists is characterised by relations of sincere friendship and close business-like cooperation. This has undoubtedly been a vital factor in the achievement of success. I would like to note the following important fact: Over the past few years the skill of Indian specialists, construction workers and machine-operators has risen to a higher level. This makes it possible to carry out extensive work of building and operating projects through the efforts of Indian specialists and workers with the participation of a relatively small number of Soviet experts.

At present Soviet-Indian economic and technical cooperation is a complex and large-scale mechanism. This is evident from the fact that coordination of the activities in this field is carried out by the inter-governmental Soviet-Indian Commission on Economic, Scientific and Technical Cooperation. In a relatively short period the commission has become an effective working body where major problems of cooperation are considered taking due account of mutual interests and recommendations and proposals are made for further extension of this cooperation.

The fourth meeting of the commission was held in New Delhi in March, 1978. A protocol was signed at this meeting providing for the further development of economic cooperation between the USSR and India. According to the decisions of the 4th meeting a team of Soviet experts in the field of machine-building visited India in August, 1978. The Indian and Soviet specialists agreed upon the further programmes of cooperation between the Soviet organisations and the three heavy machine-building plants at Ranchi, Durgapur and Hardwar.

Further cooperation in the development of the heavy machine-building plant at Ranchi, the mining equipment plant at Durgapur, the heavy electrical equipment plant at Hardwar may be directed along the following lines : deputation of Soviet experts to the plants and deputation of Indian specialists for production-cum-technical training in the USSR; supply of components and spare parts from the USSR to the plants; improvement of the existing technology and implementation of new ones; production of the new types of equipment according to the Soviet technical documentation for meeting requirements of India, the USSR and third countries; manufacture of equipment for the projects being implemented in third countries with the USSR technical assistance.

In the context of the considerable growth of India's industrial potential and of increase in its capacity to export industrial equipment, Soviet-Indian cooperation in third countries has acquired an odded significance. The USSR treats with understanding the Indian desire to play a more active role in the sphere of international economic relations. Contracts have already been concluded for the delivery from the plants in Ranchi and Durgapur of almost 22,000 tonnes of metallurgical and other equipment for projects coming up with Soviet assistance in third countries.

The production cooperation between Soviet organisations and the plants at Ranchi and Durgapur can take the following forms : cooperation on the basis of presentation and exchange of licences, patents, know-how, technical cooperation and new technology; designing, detailed engineering and construction of new projects and development of technological processes on a joint basis; specialisation in production and in the exchange of certain types of finished products; complementary production and delivery based on port and unit-wise specialisation; construction, expansion and modernisation of industrial complexes and enterprises.

Oliver Twists always a problem

Prof. Raj Krishna

The author who is member, Planning Commission, feels gratified that in spite of some initial delay the problem of financial allocation to the states was settled amicably. Although some differences of opinion between the poor and the less poor states were inevitable, the way the deliberations of the National Development Council were conducted have raised the stature of this highest policy making body.

ANY EXERCISE to distribute a fixed amount of money between competing claimants is bound to create a certain amount of acrimony. Therefore it is not surprising that the National Development Council, consisting of all chief ministers, all central cabinet ministers, and all members of the Planning Commission which has been discussing, the question of distributing among the states the money, which the central government will give for states' development plans for the next four years, often ran into rough weather, and took about 11 months to reach some conclusion.

But fortunately, after five inconclusive meetings of a committee and a working group, appointed by the council, final decisions were reached at the meeting of the full Council.

The total public expenditure on the sixth Plan will be about Rs 69,000 crores. As a result of the decisions taken, more than half of this amount, that is about Rs 37,000 crores will be spent by the state governments, and less than half, or about Rs 32,000 crores, by the central government.

This means that, for the first time since the beginning of planning, the states would be spending more under the five-year plan than the central government. This big change reflects the present government's settled policy of progressive financial decentralisation.

The total help given by the central government to the states for their development over the next four years will be Rs 9900 crores. Out of this amount Rs 2600 crores are reserved for hill states and tribal areas, Rs 500 crores are connected with projects financed by international agencies, and Rs 600 crores are to be distributed on the discretion of the Planning Commission among states who may have special financial problems from year to year.

It is now decided that the remaining amount of Rs 6200 crores out of the total central assistance of Rs 9900 crores should be distributed according to two different formulae. The sum of Rs 4200 crores will be distributed according to the old Gadgil formula, and Rs 2000 crores are to be distributed according to a new formula called the IATP (Income Adjusted Total Population) formula.

Under the old Gadgil formula 60 per cent of the money goes to different states in proportion to their population, 10 per cent in proportion to investment in irrigation and power, 10 per cent in proportion to tax revenue, 10 per cent in proportion to backwardness and 10 per cent to deal with special problems.

During the last one year there has been much controversy about whether the Gadgil formula should be changed or not. The poorer states such as UP and Bihar have been asking for the replacement of the Gadgil formula. But a majority of the states wanted the formula to be kept unchanged or only slightly modified.

Therefore, a consensus was reached that for the distribution of Rs 4200 crores the old formula may be continued even though many states such as West Bengal, UP, Tamil Nadu, Orissa and Kerala get less under this formula than their share of the population. But since inter-state inequalities have been growing, the Planning Commission has been searching for an alternative formula which would give a higher proportion of central assistance to the poorer states.

alternative proposals

The Planning Commission placed many alternatives before the National Development Council and its committees. But a consensus could not be reached on any alternative because under every alternative some states, particularly the less poor states, would lose.

Since a decision had to be reached anyhow, the prime minister announced that while Rs 4200 crores will be distributed according to the Gadgil formula, the additional amount of Rs 2000 crores will be distributed amongst 14 states in proportion to their population multiplied by the inverse of per capita income.

This is called IATP or Income Adjusted Total Population. The additional sum of Rs 2000 crores became available because in response to the unanimous demand of the states the planned expenditure on the so-called central or centrally sponsored schemes will be cut down by this amount. These schemes are implemented in the states but initiated by the central government.

The basic idea of the IATP formula is very simple. The lower the per capita income of a state the more assistance it would get; the higher its per capita income, the less will be the assistance.

Thus the formula is more progressive than the Gadgil formula. To illustrate, Punjab with the highest per capita income would get Rs 67 crores out of Rs 2000 crores under the Gadgil formula. But it gets only Rs 29 crores under the IATP formula. At the other end, Bihar with the lowest per capita income would get Rs 224 crores on the basis of the Gadgil formula and Rs 300 crores on the basis of the new formula.

important step

Thus an important step has been taken to make the distribution of plan assistance more equitable. It is a matter of great satisfaction that when the prime minister announced his decision, almost all states accepted it gracefully as a good compromise. Only one state objected: But the special problems of this state can be taken care of in other ways.

It should be remembered that a larger and more progressive transfer of funds by the Planning Commission comes after another transfer by the Finance Commission for the non-plan expenditure of state governments. The Finance Commission transfered about Rs 23,000 crores from the centre to the states for the next five years. This amount was more than twice the amount transferred over the previous five years, and its distribution was also tilted in favour of the poorer states.

Thus both for plan and non-plan purposes, the states have been given unprecedented amounts of money. It is now up to them to use these amount effectively, along with their own resources, to reduce poverty and unemployment.

Large transfer of funds from the centre to the states year after year have become necessary because more than two-third of the total tax revenue in the country is collected by the central government in the first place. A substantial part of these collections has to be shifted to the states because it is the states who carry the major responsibility of maintaining most of the public services for the people and of maintaining the public assets created in the past.

The new planning priorities which emphasise rural development, the creation of employment, and the Minimum Needs Programme, are all in the domain of the state governments. Therefore, the decentralisation of funds has become an absolute necessity.

Knowledgeale people have noted that the Planning Commission had never laid before the National Development Council and its committees as many detailed statistics and as many alternative formulae for solving the distribution problem as it did during the last year.

As a result of its deliberations over the last one year the National Development Council has raised its stature as the highest body to discuss and settle all important centre-state and inter-state issues in an intensely nationalist, democratic and progressive frame of mind.

With the decisions that have been taken, the draft five-year plan can now be finalised within a month or two and presented to the National Development Council for final approval. It should be recalled that the draft plan was prepared in a record period of nine months and presented to the NDC by the Planning Commission, in March 1978 before the five-year plan period began on April 1, 1978.

And in spite of some delay in the settlement of the financial allocation formulae, if the plan is finalised by April and May, it will still be the shortest time in which a five year plan has ever been finalised so far. Meanwhile, of course, the annual plans of 1978-79 and 1979-80 have already been finalised and are being implemented. They are fully consistent with the five year plan.

Looking back over the last one year of

A Correction

Mr G.D. Birlas' address to the luncheon session of the 52nd annual general meeting of the Federation of Indian Chambers of Commerce and Industry, which had appeared in *Eastern Economist* of April 6 on pages 720 to 723 was delivered on April 1 and not on March 31, as erroneously indicated in the intro.

excited arguments in many meetings about how much money should be distributed and how, one can say that although some differences of opinion between the poor and the less poor states were inevitable, the arguments were conducted with great cordiality as between members of a family. In fact, in this meeting of the National Development Council not only the prime minister but the chief ministers of states in all parts of the country repeatedly referred to the nation as a vast family trying to share its common wealth.

It is to be hoped that the large and progressive sharing now decided upon will help reduce poverty throughout the country in the shortest possible time.

New taxes in Orissa

R. J. Venkateswaran

For raising additional resources, the Orissa budget proposes to garner a sum of Rs 6.55 crores by revised power tariff. It proposes to increase the rate of sales tax and impose a cess on land revenue. Orissa has vast untapped resources. The author feels the government should try to step up non-tax revenue rather than tax such vital inputs of industry as electricity.

ORISSA'S BUDGET for 1979-80 envisages tax measures to yield Rs 17.12 crores. The Finance minister, Dr Ram Prasad Mishra, said in his budget speech that additional taxation was necessary to finance the state's annual plan, the outlay on which has been fixed at Rs 200 crores against Rs 191 crores for 1978-79. In the earlier years, the government was not able to utilise fully the funds earmarked for the plan. For instance, the proposed plan outlay for 1974-75 was Rs 71 crores but the expenditure was Rs 65 crores. In 1975-76 the expenditure was Rs 84 crores compared to the outlay of Rs 89 crores.

In the subsequent years, however, there was a step-up in the momentum of plan expenditure. In 1977-78 against the estimate of Rs 150 crores for the plan, the expenditure was of the order of Rs 184 crores. The plan outlay for 1978-79 was fixed at Rs 191 crores but the expenditure was estimated at Rs 219 crores. The Finance minister explained that, at the current levels of taxation, the state's resources for financing the plan were Rs 55 crores. The central assistance has been promised to the extent of Rs 119 crores on condition that the state government raised additional resources of Rs 17 crores. Dr Mishra added that, following the discussions at the National Development Council, additional central assistance of Rs 95 crores would be available to the state for meeting the plan expenditure in the next four years. This would mean that Orissa would get an extra amount of Rs 24 crores annually. The Finance minister expressed his confidence that, as a result of this assistance, the state would be able to cover the estimated deficit of Rs 9 crores, in 1979-80 and also have a balance of Rs 15 crores, which would enable it to raise the plan's size later to Rs 215 crores. In view of Orissa's slow progress in economic development and its enormous natural resources, the state government should take effective measures for implementing the plan.

Of the new taxes proposed, a sum of Rs 6.55 crores will be raised by revising the power tariff and duty, Rs 2.50 crores from adjustments in the rates of sales tax, Rs 2.15 crores by raising the cess on land revenue and Rs 1.25 crores from increasing the irrigation rates. Among the other tax measures, the more important are the levies on forests, carriage of goods by road and waterways, entertainment, and on motor vehicles. The Finance minister clarified that these taxes would affect mainly the affluent persons. But what will be their impact on the costs of production as well as on prices?

For example, was it really necessary to increase the rates of power tariff? As in many other states, in Orissa also there is considerable scope for improving the efficiency of the state electricity board. It is significant to note that the percentage of energy losses in transmission and distribution in Orissa was 11.04 in 1974-75, which increased to 14.29 in 1975-76 and 16.76 in 1976-77. What steps are being taken by the state government at least to reduce these losses if not to eliminate them? Orissa at present has a surplus in power but this only highlights the stagnation in its economic development. The demand for power is bound to increase in the coming months if the state government really succeeds in imparting a strong impetus to the growth of industry and agriculture. The state's revenue from electricity duties increased steadily from Rs 673 lakhs in 1975-76 to Rs 795 lakhs in 1976-77 but declined to Rs 767 lakhs in 1977-78. In 1978-79, the budget had estimated Rs 840 lakhs from this source. The government should take care to see that the rates of electricity duty are not kept too high as to discourage the growth of new industries and the expansion of the existing ones.

The state government should also try to step up its non-tax revenue. According to a recent study made by the Reserve Bank of India, Orissa's own non-tax revenue increased from Rs 5812 lakhs in 1975-76 to Rs 7798 lakhs in 1976-77. In the next year there was a decline to Rs 7,608 lakhs and in 1978-79 to Rs 7,676 lakhs (budget estimates). There is certainly considerable scope for improving the non-tax revenues especially the receipts from departmental commercial undertakings and public sector enterprises and also from forests, royalty on minerals, and from irrigation projects.

As regards the grants from the central government, there was a substantial improvement in receipts from Rs 8,947 lakhs in 1975-76 to Rs 10,178 lakhs in 1976-77, Rs 13,778 lakhs in 1977-78 and Rs 16,846 lakhs (budget) in 1978-79. According to the award of the seventh Finance Commission, Orissa also will get larger funds from the centre under several heads. Therefore, it is all the more important that the state government should exercise greater economy in its expenditure.

Orissa's total non-development expenditure (plan and non-plan) increased from Rs 8,697 lakhs in 1975-76 to Rs 10,948 lakhs (budget) in 1978-79. The rise in the plan expenditure was from Rs 185 lakhs to Rs 333 lakhs and in non-plan expenditure from Rs 8512 lakhs to Rs 10,615 lakhs. The government should explore the possibility of effecting savings in various fields so that more funds will be available for schemes which will help the state's economy to expand. Orissa has a long way to go to catch up with the progress achieved in other states. The state's domestic product at constant prices as a percentage of the net national domestic product was 2.9 in 1974-75 compared to 9.0 in West Bengal, 11.8 in Uttar Pradesh and 12.6 in Maharashtra. There is, therefore, an imperative need for the state government to pursue fiscal policies which will help to achieve a faster rate of growth. The central government should also adopt a more positive approach to the problems of Orissa. For instance, the chief minister, Mr Routray, has said that the Planning Commission has not agreed to include Orissa in the list of states eligible for special central assistance. It is not clear on what grounds the centre has not accepted this suggestion since Orissa has a large percentage of tribal people and hilly areas.

Kerala strikes it rich

Sagittarius

There has been a swing in Kerala's finances for 1978-79 with revenue receipts increasing to Rs 505 crores in the revised estimates from Rs 468 crores in the budget estimate. In the next year's budget the agricultural sector is proposed to be developed intensively for an additional production of 1.25 lakh tonnes of rice. Similarly, increases are contemplated in coconuts and cashew production. On the power front also stress is on rural electrification.

KERALA STATE'S finances have undergone a metamorphic change since the implementation of the recommendations of the sixth Finance Commission. It is expected that there will be a further strengthening of the financial position of the state government with a larger devolution of revenues under the Seventh Finance Commission's award and a substantial write off of debts owing to the centre secured for non-plan non-productive purposes. The Finance minister, Mr S. Varadarajan Nair, indeed proudly claimed that the days of penury has been forgotten and it has not been necessary to utilise to any significant extent the overdraft facilities provided by the Reserve Bank under the revised scheme and surplus cash balances had been invested in Treasury Bills.

Apart from the larger assistance from the centre the state's own tax revenues have been increasing impressively and it is gratifying to note that the allocation for plan schemes in 1979-80 will be far in excess of the outlay of Rs 170.09 crores recommended by the Planning Commission. Even with central assistance amounting to not more than Rs 60 crores for implementing cash schemes, the allocation for state's projects has been raised to Rs 209 crores and the total outlay will be as much as Rs 265 crores, including Centrally sponsored schemes.

The revised estimates for 1978-79 have resulted in such a significant improvement in the state's budgetary position that Mr Varadarajan, Nair has no difficulty in raising his sights for incurring higher plan expenditure even after spending a large amount on welfare measures which will improve the lot of the government employees and pensioners and provide relief to unmarried girls without parents. There will also be arrangements for feeding children below five years so that they can have at least one meal a day. These welfare measures are expected to cost Rs 6 crores additionally as provision of Rs 3 crores has already been made under this head in the budget estimates for 1979-80.

The swing in the state's finances in 1978-79 will be evident from the fact that revenue receipts increased to Rs 505 crores in the revised estimates from Rs 468 crores (budget). There was also an increase in revenue expenditure to Rs 495 crores from Rs 473 crores, because of an increase in emoluments to state government employees and large expenditure on flood relief operations. The Plan outlay also is expected to be higher at Rs 195 crores against Rs 184 crores. However, ever with larger revenue and capital expenditure it is expected that there will be an overall surplus of Rs 4 crores against an overall deficit of Rs 21 crores. The state's Finance minister has gone further to indicate that the surplus may even be Rs 10 crores judging by the existing comfortable ways and means position.

higher revenue receipts

The budget estimates for 1979-80 place aggregate revenue receipts much higher at Rs 542 crores as receipts through State's taxes will rise to Rs 255.98 crores from Rs 237.24 crores in the revised estimates for 1978-79, while the state's share of Central revenue will be much larger at Rs 138.09 crores against Rs 75.14 crores. There will of course be a drop in grants-in-aid and non-tax revenue tax will be lower at Rs 148.03 crores against Rs 192.26 crores. There will, nevertheless, be a surplus on revenue account of Rs 4.16 crores even after increasing expenditure to Rs 537.94 crores from Rs 494.81 crores. Capital expenditure will also rise to Rs 111.61 crores from Rs 91.94 crores in 1978-79 revised. And, the overall deficit will be Rs 10.74 crores. The deficit however may disappear as it is proposed to continue the 10 per cent additional sales tax. Also, there may be a surplus from the auction sales of Abkari shops while it is proposed to effect economies in non-plan expenditure and streamline the working of the secretariat. Indeed it is planned to expedite official decisions and rationalise procedures with a view to speeding up work and disbursements. As a commitment has been made to the Planning Commission that adequate resources will be raised for sustaining a larger plan outlay, it is even expected that there will be a closing surplus of Rs 10 crores retaining intact the anticipated closing surplus of similar amount in 1978-79. This is indeed a gratifying development and as many other State's budgets have uncovered deficits even with a larger devolution of revenues from the Centre. Mr Varadarajan Nair had of course stated that the new system of devolution has resulted in the emergence of uneven surpluses and the States finances would have been even better if some of the suggestions for extending assistance for non-plan purposes had been accepted by the Finance Commission.

The character of plan expenditure is such as will please Mr Charan Singh as large allocations have been made for irrigation, agriculture and power schemes. It might have been expected that a greater attempt will be made to promote industrial development in both the public and private sectors, as power is available in plenty and there is a large inflow of remittances from Keralites in foreign countries. However, the emphasis will immediately be on exploitation of irrigation potential with expeditious construction of major irrigation schemes, larger expenditure on minor irrigation projects and energisation of 16,700 agricultural pumpsets. The outlay on irrigation schemes will be Rs 37 crores while minor irrigation schemes will be allotted Rs 6 crores. The additional ayacut coming under irrigation in 1979-80 will be 27,000 hectares. The major medium irrigation project will eventually be covering an area of six lakh hectares and minor irrigation projects nine lakh hectares. Greater emphasis will, therefore, be laid on the execution of minor irrigation projects concurrently.

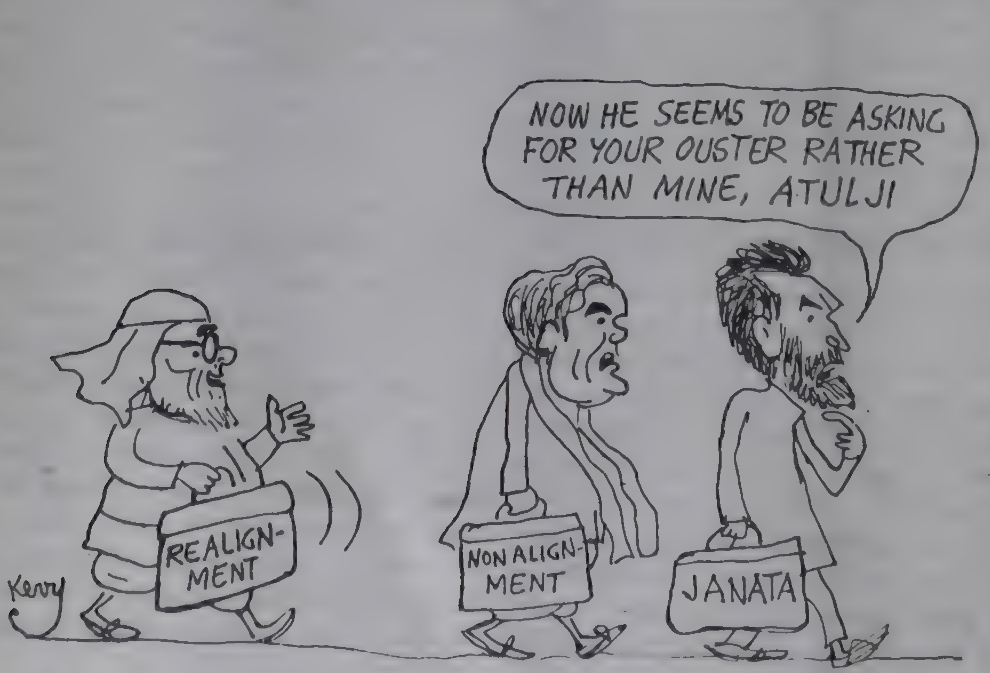
The agricultural sector also is proposed to be developed intensively with a view to increasing the output of rice and plantation crops. The crop production programmes for 1979-80 aim at an additional production of 1.25 lakh tonnes of rice, 136 million coconuts, 12,700 tonnes of cashew and 8750 tonnes of paper. The output of cocoa and cardamom also will be augmented while teak plantations will be developed scientifically.

On the power front the expenditure of Rs 45 crores will be mainly on rural electrification, creation of distribution facilities and energisation of pumpsets. The state electricity board is not immediately worried about the creation of additional generating capacity as large blocks of power are being exported to Tamil Nadu and Karnataka. Under the new agreement concluded with both the neighbouring states a larger income will be derived through export of power. The Sabarigiri and Idduki augmentation schemes and the Idamalayar project also are making progress while preliminary work on Silent Valley project may be taken up shortly. It will be advantageous from the point of view of the southern region if simultaneously work on new projects is vigorously implemented, if need be with larger central assistance. It will not be wise to delay the completion of work on new projects as hydel potential should be expeditiously exploited without going to waste during the period of non-use.

real estate boom

The state government is aware of the need for promoting industrial development though it must be said that appropriate plans are not formulated for taking advantage of the large remittances received by local population from non-resident Keralites. These remittances are now being used largely for acquiring real property and there has even been indiscriminate bidding for purchasing tea and rubber estates and the prices for these estates have shot up in recent months. It can safely be expected that about Rs 150 crores annually will be available for new industries from the region and this nucleus, if developed, can be helpful in sustaining a larger volume of industry. It remains to be seen what will be the nature of incentives proposed by the government for encouraging private entrepreneurs in the floatation of new industries.

Immediately, it is proposed to develop five projects at a cost of Rs 62 crores for undertaking the manufacture of precision instruments, fibre glass, conveyor belts, special refractories and nickel cadmium cells. It is also learnt that some of established industrial units in the private sector will be implementing expansion schemes. However, as the Finance minister himself has indicated faster industrial progress can be achieved only if there is greater confidence in the investment climate in the state, and the public sector enterprises function efficiently. The satisfactory financial position of the state government, availability of rupee resources within the region and the new awareness to achieve balanced growth and make the best use of infrastructural facilities augur well for the future of Kerala.


NOW HE SEEMS TO BE ASKING FOR YOUR OUSTER RATHER THAN MINE, ATULJI
REALIGN-MENT
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MOVING FINGER

As the grand master of ceremonies of the government's electronic media, Mr L.K. Advani is not exactly going down in history as an impressive impresario. After all the newspaper speculation—some of which was nothing but speculative — which he had managed to generate about his staging of the Desai-Stephen juxtaposition on radio and TV, he still could do nothing about this being a non-event. The circumstances, one must grant, were largely beyond his control, but this does not necessarily absolve him of blame. The truth is that the I & B set-up remains too pitiful a creature (allowing it the benefit of doubt about being "live" at all) that it has no say in the quality of programmes to which it has to be a party, as was clearly the case with these Desai-Stephen addresses to the nation on two years of Janata rule.

Mr Desai's was better delivered than drafted and Mr Stephen's better drafted than delivered. The leader of the opposition, perhaps, could have been persuaded to rehearse before the mike so that he could at least partially have avoided being seen to be reading from a manuscript. Nobody in *Akashvani* or *Doordarshan*, I suppose, thought of having a word with him on this. As for the prime minister, there is no man of woman born who would have dared to suggest that his speech had better be re-written. Not that there is any re-write expert in the PM's secretariat. Mr V. Shankar, in any case, is about the worst handler of the English language the heaven-born service has ever known. The ICS, of course, has scaled in its time peaks of excellence in draftsmanship and, among its Indian personnel, there had been great performers such as Girja Shankar Bajpai, N.R. Pillay, S. Ranganathan, H.V.R. Iyengar and, from a later generation, L.K. Jha, S. Bhoothalingam and K.B. Lall. Mr Shankar is not one of these sherpas.

Proceeding from the style of the two addresses to their substance, I might say that Mr Desai was becomingly modest and Mr Stephen almost wholly proper. The prime minister claimed no more for the government than what even most of its critics would concede to it as achievements, while the leader of the opposition found fault with it for not much more than its own friends and well-wishers have been blaming it for. Consequently, there was a total absence of histrionic, which was not a bad thing; but there was also an utter lack of anything like enthusiasm, which was not a good thing. If one cannot make the people sit up and take notice, why waste the vaulable time of the mass media? Mr Desai and Mr Stephen spoke as if they were taking tutorial classes for failed candidates hopefully appearing for supplementary examinations. Which takes me back to the point that what politics may have gained in Mr Advani, show business has not necessarily lost.

One of the more bizarre foreign reactions to the hanging of Bhutto was the condemnation of the act by Dr Karim Sanjabi, Foreign minister of Iran. Dr Sanjabi is the member of a government which, in its own country, is powerless to do anything about the extra-constitutional authority of Ayatollah Khomeini and his Islamic courts which, after secret, summary trials, are gunning down not only politicians who were pillars of the overthrown regime, but also lowly servitors in the army or the police force who had under the orders of their superiors fired at anti-Shah guerrillas or mobs rioting against the then government; I am not talking of the professional torturers who had been plying their atrocious trade in the dungeons of the SAVAK. This, however, has not prevented him from expressing holy horror at the execution of a politician in another country convicted of a capital crime, after the latter had exhausted all the judicial processes and the head of the internationally recognised government of that country had concluded that he found no justification for exercising his prerogative of executive clemency.

The question is not one of the innocence or guilt of Bhutto or Hoveida as we may want to debate it. In the case of Bhutto the normal law of the land, as the highest court of the land has interpreted or applied it, has taken its course. In the case of Hoveida, a kangaroo court, electing to be judge and jury, like cunning old Fury, denied the accused legal assistance, badgered and bullied him behind closed doors and sent him to his death at the hands of an executioner who, even as he trained his submachine gun on him, called him a traitor. And yet *The Times of India*, having presumably exhausted itself emotionally and spiritually by its jumbo two-column editorial on the eve of the execution of Bhutto, has not been very prompt on commenting on the fate of Hoveida who, even on the word of the prosecutor, was being judged not personally, but because of the system he represented.

Dr L.M. Singhvi has always been special, of course. To him belongs the distinction of having held the office of Advocate General of Rajasthan while headquartered in New Delhi. Now he has become even more special, if that is possible, for he is the president of the bar association of the Supreme Court. Naturally he expects mere judges to show him due deference. If any of them does not behave, then, woe unto him, as Mr Justice P.S. Kailasam has found to his cost. The bar association, unable to bear the slight its president feels he has suffered, has enjoined on its members not to appear before the judge "till the appropriate amends are made". It is not unusual, of course, for judge and advocate to clash in court, but great lawyers, whether, arrogant like Jinnah or unassuming like Viswanatha Sastri, knew how to uphold their dignity should the occasion arise, without exposing the legal profession to ridicule. But, then, how is one to sustain one's wounded vanity — especially when one's ego is larger than life—except by causing as much fuss as is necessary to make the front page of obliging newspapers ?

VB

TRADE WINDS

Farm Credit Review

The Reserve Bank of India has set up a committee to review the existing arrangements for institutional credit for agricultural and rural development and to suggest improvements necessary to strengthen these arrangements. The terms of reference of the committee are: to review the structure and operations of the Agricultural Refinance and Development Corporation in the light of the growing need for term loans for agricultural and allied purposes, including village industries, marketing processing and other services relevant to integrated rural development; examine the need for and the feasibility of integrating short-term and medium term credit structure with long-term credit structure at all levels in the context of the intensification of rural development programmes; to consider the relative merits of three-tier and two-tier structures for cooperative financing institutions and suggest improvements, if any; to study the consultancy service provided by the Agricultural Refinance and Development Corporation and suggest improvements for achieving satisfactory coordination between it and the financing institutions and to review the role of the Reserve Bank in the field of rural credit with due regard to its central banking functions.

The chairman of the committee, Mr B. Sivaraman, until recently, member, Planning Commission, is to submit its report by the end of December 1979.

Rural Electrification

The Rural Electrification Corporation's loan assistance for electrification projects has crossed Rs 1,000-crore mark. This landmark has been achieved in a record time of less than ten years. The corporation disbursed over Rs 673 crores as financial assistance to various state electricity boards, rural electric cooperatives and state governments till the end of the financial year, March 31, 1979, to implement the massive electrification programme undertaken in the rural areas.

During 1978-79, the disbursements totalled Rs 156 crores marking an increase of about 38 per cent over disbursements during the previous year. This year the corporation proposes to spend over Rs 160 crores on the rural electrification programme. This includes allocations for areas covered under the revised minimum needs programme.

About 54,000 villages have already been electrified under the REC-financed programme of rural electrification and the total number of agricultural pumpsets and tubewells energised in the project areas has increased to over 3.75 lakhs. The highlight of the REC projects is that more than 60 per cent of the schemes sanctioned so far are meant for the development of backward and specially underdeveloped areas. Under the Special Project Agriculture (SPA) programme which, to a large extent, is being jointly financed by REC, Agricultural Refinance & Development Corporation (ARDC) and the commercial banks, special attention will be given to energising irrigation pumpsets and tubewells in large numbers in potential areas to give a boost to agricultural production. An increased loan assistance of about Rs 135 crores is expected to be made available under the programme during the new financial year with target to energise more than two lakh irrigation pumpsets and tubewells.

Airports Authority

India's four international airports at Delhi, Bombay, Calcutta and Madras recorded an increase of 16 per cent in passenger traffic during 1977-78 over the previous year. About 8.7 million passengers were handled during this year as compared to 7.5 million during 1976-77, according to the annual report of the International Airports Authority of India for the year 1977-78. The cargo handled at the four airports was 148,000 tonnes registering an increase of 16 per cent over the previous year. The airport authority earned Rs 9.57 crores in foreign exchange from landing and parking charges from foreign airlines during 1977-78 as compared to Rs 6.25 crores last year. The report adds that the capital expenditure of the authority for the four airports was Rs 10.42 crores during 1977-78, as compared to Rs 6 crores during the last year. The airport authority had invested over Rs 34 crores on airport works and equipment during the past six years. Out of this Rs 21.70 crores had been met out of the internal resources of the authority and the balance received from the government. As budgetary support, during the year 1977-78 the authority generated internal resources to the tune of Rs 6.24 crores. The revenue of the authority increased to Rs 21.4 crores as against Rs 13.95 crores in the previous year. Net profit after tax was Rs 2.9 crores.

Air Fares to Go Up

Most international passenger fares and cargo rates, to and from India, will go up by seven per cent from May 1, 1979, as a result of the continuing rise in aviation fuel cost. The rise which is subject to government approval, was agreed to by 65 major scheduled airlines of the world at a meeting held in Geneva between March 28 and April 3, 1979.

IDA Credit

The International Development Association (IDA), an affiliate of the World Bank, has announced the approval of a credit of US $129 million for a project to modernise the irrigation system in the state of Punjab. The project will help to increase food production and farm incomes. This credit will finance 50 per cent of the cost of a five year programme of irrigation development, costs being estimated at US$ 258 million. The credit will increase the quantity, reliability and equitable distribution of irrigation water and provide for studies and pilot demonstration schemes for on-farm works. Part of the IDA credit will also be utilized for the preparation of irrigation projects in other parts of the country. At full development, the project is expected to increase annual production of foodgrains by 489,000 tons, of cotton by

83,000 tons, of sugar by 55,000 tons, resulting in net foreign exchange savings of about US$ 160 million a year. The IDA credit is for 50 years, including 10 years of grace. It is interest free, except for a service charge of 3/4 of one per cent per annum to meet IDA's administrative costs. The Food and Agriculture Organization of the United Nations joined IDA and the government of India in preparing the project under the Bank/FAO cooperative programme.

HEC

New techniques of electroslag welding of thick steel plates and steel castings of thickness of 100 mm and above have been successfully perfected and introduced in the heavy machine building plant of Heavy Engineering Corporation, Ranchi. Strips cut out from the same plates or castings are used and this ensures homogeneous welding and eliminates the use of expensive welding electrodes. This technique also guarantees welding of special steel as well as castings of alloy steel and non-ferrous metals quite conveniently. HEC has also developed a process of remelting scrapped high speed steel tool bits utilising the electro-slag welding machine and making new tool bits, from the same, by forging or machining. Large quantities of such tool bits that get scrapped every month are thus salvaged.

Keltron

The Kerala State Electronics Development Corporation Ltd, (Keltron) recorded a turnover of Rs 5.45 crores for the year ended March 31, 1979, as against a turnover of Rs 4.01 crores for the previous year, showing an increase of 36 per cent. The chairman and managing director of the corporation, Mr K.P.P. Nambiar announced recently that out of the turnover, professional electronic components accounted for Rs 1.20 crores, electromagnetic counters and defence equipment for one crore of rupees, consumer electronics (television, projectors etc) for Rs 1.25 crores and professional electronic equipment including industrial and digital electronic equipment and systems for Rs 2 crores. Since most of the 12 units already established are going into production this year, the corporation is confident that the total turnover will touch Rs 15 crores during 1979-80

Award for ITDC

India Tourism Development Corporation's 1979 diary has won the prestigeous Allan Currimbhoy Trophy, awarded annually by the Travel Agents Association of India. The theme of the ITDC diary is topical—the childhood of Lord Krishna to commemorate the international year of the child. An ITDC poster showing the Haji Ali Mosque, Bombay won a certificate of metrit.

Exports to West Germany

In 1978, India's exports to W. Germany amounted to Rs 336 crores, out of which 47 per cent accounts for fabrics and readymade garments. Compared to 1977 figures, total Indian exports to W. Germany decreased by 2.8 per cent, whereas the exports of the mentioned textiles increased by more than four per cent. Wool and animal hair materials (mainly carpets) was the main single export item with exports worth Rs 62.9 crores and an export increase rate of 33 per cent last year. Indian imports from W. Germany increased in 1978 by 11 per cent to Rs 560 crores, out of which 37 per cent accounts for machinery (1977: 40 per cent). Machine tools (including rolling mill equipment) was the main single import item with imports worth Rs 55.2 crores and an import increase rate of 32 per cent over last year.

Housing Assistance to Iraq

A seven-member Iraqi delegation, headed by Mr Ossam Al-Kadhiri, director-general, ministry of Housing and Construction, visited this country to explore possibilities of utilising Indian expertise in the field of construction and civil engineering. Replying to a reception held recently by the Overseas Construction Council, Mr Al-Kadhiri said Japan had been quite successful in bagging contracts in Iraq. "Her execution of the several projects in Iraq has been quite appreciated." He said it would take some time for India to make an impact like Japan as her capabilities were still unknown in Iraq.

The delegation visited various construction and civil engineering projects in Bombay, Kudremukh, Delhi, Bhakhra-Nangal, Srinagar and Rourkee Building Research Institute, etc.

Mr H.J. Shah, president, Overseas Construction Council, said the overseas contracts, executed and being executed, by Indian companies in the public and private sector are worth over two billion US dollars.

He said a number of Indian companies had recently been awarded contracts worth nearly Rs 2,000 million in Iraq. Important among these were the construction of grain silos, roads and bridges, various sewage projects and extension of Baghdad colour TV station, etc.

Garment Exports to Europe

There is a "very good" scope for exporting grey and finished cotton fabrics as well as made-up articles such as bed-sheets and towels to West European countries, according to a study team of the Cotton Textiles Export Promotion Council (TEXPROCIL) which visited West Germany, Greece, Belgium, the Netherlands and the United Kingdom, recently. The team was led by Mr R.P. Poddar, president of the Century Spinning and Weaving Mills. A press release issued by the TEXPROCIL stated that the team had made an eight-point set of recommendations to Indian exporters and manufacturers to increase cotton textiles exports to West Europe and to fulfil the quota to these countries.

ONGC Drilling

The Oil and Natural Gas Commission started exploratory drilling at Panchgram near Silchar in Cachar district of Assam on April 1 and the operation will last six months.

Circuit Breakers for Tanzania

The largest export order so far for 10 numbers of minimum oil circuit breakers from Tanzania has been completed by BHEL, Hyderabad. The breakers are now ready for shipment. Though BHEL has a sound footing in the foreign market, having exported breakers to Malawi, Nepal, Kenya, Mauritius, Iraq, Indonesia, Turkey and Burma, this is the first time that the HIR type restrike-free minimum oil circuit breakers are being exported. The order on BHEL was placed by the State Fuel Power Corporation, Zanzibar, and the variety of tests on the 145 KV and 66 KV MOCBs was witnessed by Mr M.C. Kokinos of the Engineering and Power Development Consultants, UK.

Assistance by HUDCO

With 55 additional schemes sanctioned in March, the Housing and Urban Development Corporation (HUDCO), a public sector undertaking, provided record financial assistance in 1978-79 for housing economically weaker sections and lower income group families. Compared to 1977-78, HUDCO increased loan assistance in 1978-79 by 22 per cent to Rs 108 crores which would enable construction of over 100,000 dwellings and development of over 9,000 plots in rural and urban areas spread over 17 states and three union territories.

Of the record loans sanctioned for housing schemes, over 80 per cent of beneficiaries will be economically weaker sections of population with family income not exceeding Rs 350 per month and those in the lower income group families with monthly income not exceeding Rs 600.

Biscuit Makers Meet

Addressing the annual general meeting of the Federation of Biscuit Manufacturers of India held in Delhi on April 6, 1979, Mr R.B. Rao, president of the federation, expressed disappointment that at 95,515 tonnes, the total production of the organised sector of the biscuit industry in the calendar year 1978 had registered an increase of only 3.4 per cent over the previous year. The increases in production during 1977 and 1976 had been 25 per cent and 23 per cent respectively. Mr Rao said that the poor performance last year was entirely due to labour unrest effecting six member-factories who, between them, had lost 16½ months of production. Referring to raw materials, Mr Rao said that floods in various parts of the country and a 'go slow' movement in the FCI had pushed up prices of the major ingredient, wheat flour.

Indian Petrochemical

India's first integrated petrochemical complex, set up by Indian Petrochemical Corporation Limited (IPCL), was inaugurated by the prime minister, Mr Morarji Desai on March 31, 1979 at Baroda. For the first time, an Indian company, Engineering Construction Corporation Limited (ECC) has done extensive work for setting up the country's largest naphtha cracker plant, involving complex piping, tall columns, high pressure vessels and compressors. IPCL's Gujarat Olefins project at Baroda comprises two mother units and five downstream units. ECC was involved in the equipment erection and piping work of the naphtha cracker plant—the heart of the project—and the low density polyethylene plant. Besides, ECC carried out the electrical installation for the integrated off-site project of IPCL, involving interlinking of a chain of substations to the central receiving station.

Oilseed Processing Industry

Mr K. K. Goyal, minister of state for Commerce, Civil Supplies and Cooperation, recently urged the need for a central level institute to provide technological engineering training facilities to the personnel working in the oilseed proceeing units, particularly in the field of cooperatives. He asked the National Cooperative Development Corporation to explore its feasibility either as an independent unit or as an adjunct to the existing cooperative training institutions. He was inaugurating a meeting of the NCDC advisory committee on cooperative oilseed processing industry. Mr Goyal said that the imports of oil could not be a permanent policy of the government in order to solve the problem of availability and price of oils, emanating from the higher demand of the vegetable oil in the country than the indigenous production.

Electronics Exports

A committee on electronic exports was set up in May 1978 with wide ranging terms of reference, to go in depth into the current status regarding the electronics export capabilities and recommend measures that should be taken to achieve a major breakthrough in the coming years. The committee has submitted its report to the government. The report has observed that it is feasible to increase electronic exports from India more than five-fold during a period of five years. The major areas which can be tapped for this purpose are consumer electronic goods, sub-contracted manufacture of certain equipment, computer software, projects and system exports and further development of the export processing zones idea.

The committee feels that it would be necessary to organise production for export and to enlarge production base so that special features of the electronic industry like high obsolescence, new capabilities and gradual reduction in costs can be taken advantage of by our country. The committee has observed that India has got basic, scientific and engineering skills at all levels and enlargement of production base would be desirable even from the point of view of providing employment in the country. For this purpose, a vastly enlarged components base is also necessary to support the export effort. Since the exports could be highly fluctuating in terms of volume as well as types of production in demand, it would be necessary that the production capability in the country should have the potential to meet these demands as and when they arise. This would call for investment on a large scale for which necessary incentives in the form of reduction in import duties on capital goods and raw materials would be necessary.

Export of Bangla Deshi Cotton

Keeping in view the interest of the growers in the various cotton growing states, the government has decided to permit export of an additional quantity of 20,000 bales of Bangla deshi cotton. With a view to ensuring that the benefit of this export flow primarily to the growers, the government has decided to allocate a quota of 5,000 bales each for exports by the states of Haryana, Punjab and Rajasthan through the apex marketing federations of the concerned states. In addition, a quota of 5,000 bales has been allocated to the Cotton Corporation of India to assist on agency basis the individual growers' cooperatives which are not linked to the state level apex federations. The exports by the state marketing federations and the Cotton Corporation of India will be subject to a floor price. It is hoped that with this decision the growers of Bangla deshi cotton will be able to get a remunerative price for their produce.

New Imports and Exports Office

An office of the Controller of Imports and Exports is being set up at Chandigarh to cater to the actual users' licensing requirement of Himachal Pradesh, Chandigarh and five districts of Punjab. These districts are Sangrur, Patiala, Rupar, Faridkot and Bhatinda. The office was inaugurated by Mr Arif Baig, minister of state for Commerce, Civil Supplies and Cooperation on March 22, 1979.

Engineering Exports

The Engineering Export Promotion Council has projected an export target of Rs 1000 crores for the year 1980-81. Achievement of such an ambitious target depends on a variety of factors, namely adequate production of high quality products at competitive cost, timely availability of shipping at competitive freight rates etc. In a background paper prepared by the council, it is pointed out that export production in the country has to suffer the impact of multipoint taxes and lack of enough working capital. On top of this, the industry has to face problems like power shortages, labour unrest and lack of shipping facilities. The outlook for a rise in the sales of Indian engineering products in the overseas markets is also not too bright in view of the recessionary trend in various countries. On the other hand trade deficit by the country calls for immediate attention of the government to provide adequate support measures to export trade. In this context, engineering goods also deserve due consideration. The paper further says that any half-hearted approach to the problems of engineering industry would completely ruin the prospects of stepping up engineering exports. Such action will have devastating effect not only on trade deficit, but on certain social objectives like employment.

Names in the News

The government of India has appointed **Mr Chhedi Lal** of Vivekananda Kendra, Kanyakumari and **Dr K.N. Raj**, fellow of the Centre for Development Studies, Trivandrum, as directors of central board of the Reserve Bank of India with effect from April 2.

Mr A.B. Dasgupta, has been appointed chairman, Hindustan Paper Corporation Limited. He is concurrently chairman, Bengal Chemical Pharmaceuticals Works Limited, Bengal Immunity Company Limited and Smith Stanistreet Pharmaceutticals Limited. Earlier, he was managing director, Oil India and a member of the ONGC. Among his other assignments, Mr Dasgupta is a member of the advisory committee, Haldia Petrochemical Complex Project and West Bengal State Planning Advisory Board.

Dr. T. G. K. Charlu, has taken over as new chairman and managing director of the Rural Electrification Corporation (REC), a government of India enterprise. He took over from Dr B. Venkatappiah who has retired after having headed the organisation for almost a decade.

Mr T. K. Sinha, the chief executive (production) of Indian Oil Corporation has taken over as the managing director of the Refineries and Pipelines division of the IOC.

The government of India has appointed **Mr K. N. Narasimha Murthy**, manager, Public Utility Building Branch of the State Bank of Mysore, Bangalore, as a director of the said bank for a period of three years vice Mr T. S. Sankaran. He has been appointed from among the employees (not workmen) of the bank, as provided under the rules.

Mr S. Adaviyappa, has been appointed chairman-cum-managing director of Rajasthan State Bridge and Construction Corporation Ltd, a state undertaking. He was till recently chief engineer and additional secretary to the government of Rajasthan in public works department.

Mr K. N. Modi, chairman of Modi Enterprises, has been elected vice president of the Federation of Indian Chambers of Commerce and Industry. Mr Modi had been president of All India Manufacturers Organisation, the Western UP Chamber of Commerce and Industry, All India Organisation of Employers, Northern India Textile Mills Association and Steel Furnace Association of India. He is the chairman of Northern India Textile Research Association and had been the chairman of the Development Council for Manmade Textiles and Pradeshiya Industrial and Development Corporation of UP Ltd.

Mr Narsing Rath, who till recently was the managing director of Bharat Refractories Ltd has been appointed the chairman-cum-managing director of the company. which is under the ministry of steel and Mines. This is the first refractory company in the public sector.

Mr S. Sundararajan, has joined Mukand Iron & Steel Works Ltd, Bombay, as the chief executive and will be overall in charge of the company's operations. A former member of the Indian Audit and Accounts Service, Mr Sundarajan was the chairman and managing director of Scooters India Ltd, Lucknow, and earlier the managing director of Garden Reach Workshops Ltd, Calcutta.

Mr N. M. Desai, has been elected chairman of the board of directors of Utkal Machinery Limited (UTMAL) a subsidiary company of Larsen & Toubro Limited.

Mr Manilal K. Shah, has been appointed the general manager of Dena Bank. Prior to this he was the joint general manager.

Mr A. Sivasailam, chairman, Amalgamations Limited, has been elected chairman of the Madras Chamber of Commerce and Industry for the year 1979-80.

COMPANY AFFAIRS

Hindustan Aluminium Corporation

THE SHAREHOLDERS of Hindustan Aluminium Corporation, at their annual general meeting in Bombay on April 9, were informed by the chairman, Mr G. D. Birla, that, in deference to the persistent representations from small shareholders, he would be placing before the board this month the question of the company issuing bonus shares. HINDALCO's reserves and surpluses, as on December 31, 1978 amounted to Rs 72.10 crores against the paid-up capital of Rs 15.05 crores. Mr D. P. Mandelia, special adviser to the company, disclosed that the free reserves were of the order of Rs 26 crores.

Speaking about the proposed disinvestment by the Kaiser group of the US of the equity capital held by it in HINDALCO, Mr Birla expressed the opinion that, should this disinvestment at all take place, the Kaiser holdings of 26.69 per cent should be made available for a public issue to be allotted among small investors. He was not in favour of the Kaiser holding being placed with the financial institutions.

HINDALCO's production during the current year, it was indicated, might be between 70,000 and 75,000 tonnes, provided the UP State Electricity Board fulfilled its contractual commitments for the supply of power. The plant's licensed capacity of 120,000 tonnes could be worked to produce 25 per cent more provided there is no power bottleneck. The company itself is trying to cope with the situation by setting up two more generating units of its own, each of 67.5 MW. Meanwhile its existing captive power plant is functioning at maximum efficiency setting a record for efficient power generation among all the electricity facilities, whether in the public sector or the private.

Century Expansion

Century Spinning has made considerable progress in the implementation of its new cement and pulp and paper projects. The first phase of the company's Rs 45-crore pulp and paper project is expected to be commissioned by the end of 1981. The paper plant of the project is likely to commence production in about three years' time.

The company's cement plant at Maihar with a capacity of 800,000 tonnes per annum is scheduled to go on stream by the end of 1979. The project would have been ready much earlier but for the delay in deliveries of plant and machinery by some of the major producers.

The company's application for setting up yet another cement plant is under active consideration of the government. The company is setting up the plant, which will be its third cement complex, at Manikgarh in Chandarpur district of Maharashtra. The plant will have an annual capacity of one million tonnes of cement per annum. With this, the total installed capacity of the company's cement division will increase to about 25 lakh tonnes per annum.

Meanwhile, the company has achieved excellent capacity utilisation in its Tilda cement plant. It produced 677,000 tonnes of cement during 1978 against the installed capacity of 600,000 tonnes. The company has received a letter of intent for expansion of the capacity of this plant from 600,000 tonnes to 800,000 tonnes per annum.

The company's joint venture in Malaysia, which commerced production of palm oil and allied products in October 1978, is expected to reach full production shortly.

The future of the company's electronics watch project continues to be uncertain as the government has declined to grant permission for the sale of modules and watches for the domestic tariff area.

Sales of cloth totalled Rs 45.08 crores against Rs 40.96 crores and of cotton and staple yarn Rs 4.36 crores against Rs 4.04 crores. Sales of cement declined slightly to Rs 19.66 crores from Rs 19.73 crores. As is known the company has reported improved results for 1978 with the gross profit increasing to Rs 25.08 crores from Rs 15.70 crores.

Modi Industries Limited

The board of directors of Modi Industries Limited for the accounting year ended December 31, 1978 reports continuing recovery and improvement in the operating results of the various units. The turnover increased from Rs 40.4 crores in the previous year to Rs 49 crores, pushing up the gross profit from Rs 1.31 crores to Rs 2.15 crores and the net profit from Rs 53 lakhs to Rs 1.35 crores.

The board has recommended the maintenance of the dividend on equity shares at 12 per cent, absorbing Rs 24.6 lakhs, as in the previous year. Since the earning per equity share has gone up from Rs 2.35 to Rs 6.75, the main beneficiary of the improved working results is the general reserve to which two transfers of Rs 3.5 lakhs and Rs 83.2 lakhs have been effected. It may be noted that in the previous year Rs 1.5 lakhs were transferred to the general reserve as against the transfer from it of Rs 97.5 lakhs.

Expansion Programme

The expansion and modernisation programme of the sugar factory is in progress. Although it had worked for a much longer period of 234 days as against 172 days in the previous year and crushed 192,800 tonnes of sugarcane as against 162,800 tonnes in the previous year, huge losses were incurred because of the twin pressures of higher minimum price of cane and fall in the market price of sugar.

The steel unit is undertaking a diversification programme aiming at the manufacture of special and alloy steels in collaboration with Daido Steel Company Limited of Japan. The company has applied for financial assistance under the government scheme for soft loans for mini steel plants. Action is also being taken fo implementing in collaboratio with ESAB of Sweden, a industrial licence for the manufacture of 120 million running feet and a letter of intent for 185 million running feet of welding electrodes.

The company proposes to finance the gap in working capital caused by the diversion of funds for capital expenditure on the expansion of the steel unit by issuing privately placed debentures of Rs 75 lakhs to the LIC, the GIC, the ICICI, the Pradeshiya Industrial and Investment Corporation of UP Ltd and the Punjab National Bank on terms and conditions which would provide an option for these institutions to convert 20 per cent of their debentures into fully paid equity shares of the company at par. The company has also approached the Andhra Bank Limited for a term loan in connection with the modernisation-cum-expansion schemes of the electrode unit. The approval of the shareholders will be sought for these proposals at the annual general meeting to be held on April 30. Reserves and surplus of the company amount to Rs 4.5 crores, while the paid up capital is Rs 2.5 crores.

Reliance Textile

Reliance Textile Industries has reported an improvement in its performance during the period of 15 months ended December 31, 1978. The directors have proposed a final dividend of 15 per cent, which together with the interim of 12.5 per cent makes a total of 27.5 per cent for the 15 month period against 15 per cent paid for the previous year. The board has also decided to issue rights shares of the face value of Rs 65 lakh to non-promoter shareholders. The rights shares are offered in the ratio of four new shares of Rs 10 each at a premium of Rs 15 per share for every 25 shares held. The proceeds of the rights issue will be utilised to meet a part of the finance for the company's Rs 18.5 crores expansion of the capacity to manufacture man-made fibre yarn on worsted system. The Rs 10 fully paid-up equity shares of the company have been a firm feature for the past few days with the quotation touching a high of Rs 59 in the market.

The company's turnover has increased to Rs 120.11 crore during the period of 15 months of 1977-78 from Rs 66.93 crore in the previous year. Its gross profit has shown a larger increase to Rs 10.16 crore from Rs 4.32 crore. The ratio of gross profit to sales has improved to 8.5 per cent from 6.4 per cent for 1976-77. The company's pre-tax profit for the 15-month period amounts to Rs 6.76 crore against Rs 2.98 crore after providing Rs 3.40 crore (Rs 1.34 crore) for depreciation. The tax liability is only Rs 20 lakh (Rs 5 lakh), leaving the profit after tax of Rs 6.56 crore (Rs 2.93 crore). The allocation to the investment allowance is substantially higher at Rs 2.40 crore against Rs 75 lakh. The total dividend distribution will amount to Rs 1.66 crore against Rs 89 lakh.

The company is setting up a new spinning unit for the manufacture of man-made fibre yarn on the worsted system. The expansion is estimated to cost Rs 18.50 crore and arrangements for foreign exchange loans amounting to Rs 4.11 crore and rupee loan of Rs 3 crore with financial institutions have already been finalised.

Bata India

The gross profit of Bata India Limited, has declined from Rs 2.70 crore to Rs 2.10 crore for the year 1978. After providing for Rs 87.10 lakh (Rs 79.57 lakh) for depreciation and Rs 67.50 lakh (Rs 92 lakh) for taxation, the profit comes to Rs 54.96 lakh (Rs 98.14 lakh). Pre-taxable ordinary dividend has been reduced from 22.5 per cent to 15 per cent absorbing Rs 45 lakh (Rs 67.50 lakh). A sum of Rs 4.10 lakh (Rs 8.50 lakh) has been transferred from development rebate reserve.

Subject to the approval of the Controller of Capital Issues, a sum of Rs 75 lakh being part of the amount standing to the credit of share premium account is to be capitalised by way of issuing fully paid-up bonus shares in the proportion of one new equity share for every four existing equity shares.

The board has also proposed to increase the authorised capital from Rs 3 crore to Rs 6 crore by the creation of 30,00,000 equity shares of Rs 10 each. Turnover of the company, during the year was Rs 78.50 crore (Rs 83.40 crore).

Atlas Cycles

Atlas Cycle Industries finalised the basis of allotment of sale of 220,000 equity shares of Rs 10 each offered at a premium of Rs 7.50 per share some time back. Since the issue was heavily oversubscribed by 44 times share allotment is very strict.

Twentyfive shares are allotted to successful applicants in each category as mentioned under: Fifty shares, one out of 17;100 shares, one out of 9;150 shares, one out of 6;200-300 shares, one out of 5;350-550 shares, one out of four; 600-1,050 shares, one out of three; 1000-1850 shares, one out of two; 1,900-3,650 shares, four out of five and 3,700-5,500 shares 25 to all.

British Paints

British Paints (India) Limited, has maintained the taxable ordinary dividend of 17 per cent for the year 1978. After providing Rs 9.28 lakh (Rs 8.54 lakh) for depreciation and Rs 73.41 lakh (Rs 92.07 lakh) for taxation the net profit has amounted to Rs 36.96 lakh (Rs 45.33 lakh). Allocations include Rs 23.16 lakh (same) for dividend, Rs 15,043 (nil) for investment allowance reserve and Rs 13.78 lakh (Rs 22.20 lakh) for general reserve. After adjustment a balance of Rs 539 (Rs 440) is carried forward. Turnover rose from Rs 13.22 crore to Rs 16.26 crore.

Kamani Engineering

The construction competence and capability of Kamani Engineering Corporation Ltd have been further widened by commissioning, for the first time in India, the sophisticated imported and high-value tension stringing equipment for 400 kv bundle conductor lines.

In the field of heavy civil engineering the company successfully met the revised completion targets for 210 mv power station at Nasik for Maharashtra State Electricity Board.

Dawn Mills

The directors of Dawn Mills Co Ltd, Bombay, have proposed the issue 63,000 fully-paid equity bonus shares of Rs 50 each of a total value of Rs 31.50 lakhs to the existing shareholders in the ratio of one bonus share for every two equity shares by capitalising a like amount from the general reserve. The existing capital of

Rs 63 lakh will thus increase to Rs 94.50 lakhs after the issue of the bonus shares.

An independent preparatory department is being set up to improve the quality of the products. A separate blow-room line for the purpose is also being ordered. The initial problems have been overcome.

The company has on hand firm orders for exports worth Rs 35 lakhs, bulk of them being from the EEC countries. Other markets are also being explored.

The work of modernising plant and machinery is continuing. A sum of Rs 40 lakhs was spent for the purpose.

Hindustan Dorr-Oliver

Hindustan Dorr-Oliver, has shown encouraging results for the year ended November, 1978. It has earned a gross profit of Rs 192.62 lakhs on sales of Rs 10.06 crores during the year, against Rs 119.30 lakhs on sales of Rs 5.06 crores in the previous period of eight months ended November 1977. After providing Rs 2.79 lakhs (Rs 1.81 lakhs) for depreciation and Rs 144 lakhs (Rs 95.40 lakhs) for taxation, the net profit works out to Rs 45.62 lakhs (Rs 22.09 lakhs). After adjustments, a sum of Rs 4.56 lakhs (Rs 12.65 lakhs) has been transferred to general reserve, leaving a sum of Rs 16.64 lakhs to be carried forward. An equity dividend of 37 per cent has been declared against 14 per cent for the preceding period. Dividend will absorb Rs 24.42 lakhs (Rs 9.24 lakhs).

The company has succeeded in keeping up the tempo of progress during the second year of its operation. The backlog of unexecuted and partly executed orders totalled Rs 14.96 crores at the end of November 1978 against Rs 13.68 crores a year before. In the current year, Indian Farmers Fertilisers Cooperative Ltd has placed with the company an order for the expansion of its NPK plant at Kandla at a cost of Rs 7.9 crores.

Victoria Mills

The directors of Victoria Mills Ltd, Bombay, have proposed to raise the equity dividend from 18 per cent to 21 per cent for the year ended December, 1978. Total sales increased from Rs 1160 lakh to Rs 1251 lakh, and the gross profit from Rs 110.64 lakh to Rs 141.12 lakh. Export sales rose from Rs 200 lakh to Rs 212 lakh. The net profit has risen from Rs 38.52 lakh to Rs 46.81 lakh, after providing Rs 19.15 lakh (Rs 19.48 lakh), for depreciation, Rs 1.75 lakh (Rs 6.25 lakh) for investment allowance reserve, Rs 56 lakh (Rs 38 lakh) for taxation, Rs 22 lakh (Rs 15 lakh) for general reserve No 1, and Rs 17.42 lakh (Rs 8.39 lakh) for others. The equity dividend will absorb Rs 16.56 lakh (Rs 14.20 lakh). A sum of Rs 15.26 lakh (Rs 15.06 lakh) has been carried forward.

National Textile Corporation

The profit of National Textile Coporation (NTC) in the first ten months of 1978-79 ended January 1979, aggregated Rs 86 lakhs against a loss of Rs 26.73 crores in 1977-78. The improved working of these mills assumes significance in the light of the viability being affected by obsolete machinery, excess labour force, paucity of working capital and the dispersal of mills over a wide geographical area covering 14 states and two union territories.

These mills should be able to sustain their current operations in view of the Industrial Development Bank of India (IDBI) now extending finances to them under its soft loan scheme. Over the last four months or so, NTC mills in Andhra Pradesh, Karnataka, Kerala and Gujarat and Mahe have received loans for modernisation and diversification. The nine subsidiary corporations are engaged in preparing plans for submission to IDBI for availing the soft loan facilities. However the bulk of the Rs 250 crores required for modernisation is expected to come from budgetary allocations.

Colour-Chem

Colour-Chem Limited has announced the commencement of manufacturing operations at its Roha Works well ahead of schedule. The plants for the manufacture of 3:3' dichlorobenzidine dihydrochloride and organic pigments have already gone on stream.

J.L. Morrison

J.L. Morison, Son and Jones (India), has shown an improvement in its performance during 1978 with its sales increasing to Rs 4.99 crore from Rs 3.21 crore in 1977. Its gross profit has increased to Rs 51.29 crore from Rs 22.10 crore for 1977. The directors have proposed to double the equity dividend to 12 per cent from six per cent paid for 1977. The company's net profit amounts to Rs 16.86 lakh against Rs 6.08 lakh after providing Rs 5.46 lakh (Rs 6.02 lakh) for depreciation and Rs 28.96 lakh (Rs 10 lakh) for taxation. The proposed dividend will claim Rs 11.70 lakh against Rs 5.85 lakh. A sum of Rs 5.50 lakh is transferred to the general reserve.

Fertilisers and Chemicals

The Fertilizers and Chemicals Ltd (FACT), a government of India undertaking, showed all-round progress during the just ended 1978-79 financial year with the losses coming down appreciably to Rs 886 lakhs from Rs 1,396 lakhs in the previous year. The production of fertilisers in the undertaking as a whole in terms of nutrient nitrogen was a record touching 152,863 tonnes representing a 14 per cent increase over the previous year's 133,655 tonnes. Similarly, production in terms of nutrient phosporous pentaoxide was also a record, at 71,543 tonnes showing a 28 per cent increase over last year's 55,934. Sales of fertilisers totalled 5.8 lakh tonnes valued at Rs 86 crores despite recent reduction in prices. Giving these details FACT chairman and managing director, Dr P.K. Narayanaswamy, told pressmen that this had become possible because of the favourable industrial climate and strike-free year of activity in the company.

Utkal Machinery

At a meeting of the board of directors held on February 21, 1979, Mr N.M. Desai was elected chairman of the Utkal Machinery Limited (UTMAL), a subsidiary company of Larsen & Toubro Limited.

The board also elected Mr A. Binder of J. M. Voith GmbH, as its vice chairman.

UTMAL was promoted in 1960 by L&T in collaboration with three leading West German companies—J. M. Voith GmbH, Gutehoffnungshuette Sterkrade, AG and Heinrich Koppers, GmbH. UTMAL's sophisticated heavy engineering works, located at Kansbahal near Rourkela, manufacture plant and equipment for the steel, paper and pulp, mining and other core industries. The value of its manufactures totalled Rs 12.50 crores in the year ended September 30, 1978.

Mr H. Holck-Larsen who had been chairman of the board since 1971, continues to be its director.

Warner-Hindustan

Warner-Hindustan has maintained its dividend for the year ended November, 1978. A final dividend of five per cent has been declared and together with the 20 per cent intrim dividend, already paid, the total dividend for the year is 25 per cent, the same as last year. According to the preliminary statement, sales were up by about 22 per cent from Rs 11.78 crores in 1976-77 to Rs 14.37 crores in 1977-78, with gross profit rising by about 22 per cent from Rs 11.78 crores in 1976-77 to Rs 14.37 crores in 1977-78, with gross profit rising by about 19 per cent from Rs 2.13 crores to Rs 2.54 crores. The ratio of profit to sales is marginally up from 5.5 per cent to 5.6 per cent. After providing Rs 27.97 lakhs (Rs 21.92 lakhs) for depreciation, Rs 149 lakhs (Rs 119 lakhs) for taxation and Rs 7.75 lakhs (Rs 3 lakhs) for investment allowance reserve the net profit is slightly lower at Rs 68.57 lakhs (Rs 69.10 lakhs). The company has already redeemed the preference shares in May 1978, so the total dividend disbursement for the year is Rs 57.32 lakhs (Rs 58.82 lakhs). General reserve gets Rs 11.56 lakhs (Rs 10.27 lakhs).

Partap Steel

Partap Steel Rolling Mills Private Limited have successfully developed flange bar section RSO 846 and lock ring bar section RSO 1017 at their Amritsar plant thus saving Rs 260 lakhs in foreign exchange from 1975 and shall continue to save Rs 100 lakhs each year from now on. The process has involved indigenising of the automobile wheel sections for Messrs Wheels India Limited, Madras, leading manufacturers of the automobile wheels in the country. Earlier these products were being imported from the United Kingdom.

Dharamsi Morarji

Dharamsi Morarji Chemicals Co, has recorded improved turnover in 1978 from Rs 21.98 crores in 1977 to Rs 24.81 crores. Gross profit increased by 18.8 per cent from Rs 4.57 crores to Rs 5.43 crores. The company, which has proposed to maintain an equity dividend of Rs 8 per share absorbing a sum of Rs 73.41 lakhs, has reported an increase of 7.1 per cent in the sales of sulphuric acid and that of 5.1 per cent in superphosphate. The utilisation of the installed capacity in the case of superphosphate was a little over 100 per cent and that in the case of sulphuric acid amounted to 91.9 per cent. The sales of fertilisers amounted to Rs 15.73 crores and those of acids and chemicals to Rs 9.07 crores compared to Rs 14.65 crores and Rs 7.33 crores, respectively in 1977. Out of the gross profit, depreciation claims Rs 1.11 crores (Rs 94.51 lakhs), investment allowance reserve; Rs 34.34 lakhs (Rs 29.77 lakhs) and taxation Rs 2.35 crores (Rs 1.84 crores), leaving a net profit of Rs 1.63 crores against Rs 1.48 crores. After adjustments and provision for the proposed dividend, a sum of Rs 81.88 lakhs (Rs 64.65 lakhs) has been transferred to the general reserve No. 1 and that of Rs 15.61 lakhs (Rs 10.18 lakhs) to general reserve No. 2.

Capital and Bonus Issues

The government has approved the issue of capital worth Rs 23.64 crores by 17 companies. Nine of the companies have been given permission to issue bonus shares worth more than Rs 4.85 crores while eight have been allowed to issue fresh equity shares worth Rs 18.79 crores. The biggest capital issue—Rs 10.40 crores—is by the Calcutta Electric Supply Corporation (India) Limited, in accordance with the "scheme of arrangement and amalgamation" approved by the High Court of Calcutta. The shares are to be issued to shareholders of the corporation. The The second highest amount of equity shares to be issued is by Goodricke Group Limited, Calcutta, for Rs 3 crore. A major part of this is for the transfer of the business and net Indian assets of eight tea companies in accordance with the scheme of amalgamation approved by the High Court of Calcutta.

Other companies allowed to raish fresh capital by issue of equity shares are Spencer International Hotels Limited, Madras (Rs 49.80 lakhs); India Photographic Co (Rs 50 lakhs) to comply with dilution of foreign equity; Gujarat State Machine Tools Corporation Limited, Vartej (Rs 110.25 lakhs); Poplas (India) Ltd (Rs 4.80 lakhs); Madhava United Hotels (International) Limited (Rs 125 lakhs) and the Indian Seamless Metal Tubes Limited (Rs 90 lakhs).

As for bonus issue, Birla Jute Manufacturing Co Ltd, has been accorded consent to capitalise Rs 398.90 lakhs out of its general reserve by the issue of bonus shares in the ratio of one share for each equity share held. Other bonus issues approved are Advani Orlikon Limited in the ratio of four for five held; Keen Pesticides (Pvt) Limited (Rs 1.02 lakhs) in the ratio of two bonus shares for five equity share held; Applied Electronics Ltd, Thana (Rs 7.42 lakhs) in the ratio of one bonus share for each equity share held; M.S.M. Engineers Private Ltd (Rs 1 lakh) in the ratio of one bonus share for five equity shares; Cooline Manufacturers Pvt Ltd, Ahmedabad (Rs 60 lakhs) in the ratio of one bonus share for five shares; Garg Associates Private Limited (Rs 2 lakh) in the ratio of one bonus share for each equity share; Sri Karthikeya Spinning and Weaving Mill Limited (Rs 14 lakhs) in the ratio of one bonus share for each equity share; and the Damien Subsidies Limited, Trichur (Rs 45,000).

The government has rejected the application of Belal Biri Factory Private Limited, Calcutta and Gasket and Radiator Private Limited, Bhaili (Gujarat) for issue of bonus shares of Rs 4.14 lakhs and Rs 10 lakhs each.

English and Hindi newspapers in neck-and-neck circulation race

RECORDS AND STATISTICS

The annual report of the Registrar of Newspapers for India for 1977 which was presented to Lok Sabha on March 27, reveals a gloomy picture of the press in the country in 1976 due to emergency. During the year under review, the declarations of a large number of newspapers were cancelled by the district magistrates. The number of declarations during the period from June 24, 1975 to December 31, 1976 was estimated at more than 2,600.

THE YEAR 1976 also saw a fall in the total circulation of daily newspapers and a fall in the growth of newspapers in general.

Even though the number of dailies in 1976 showed a marginal increase to 875 in 1976 from 835 in 1975, their circulation fell from 93,83,000 to 93,38,000 that is by 45,000 copies. Their share in the total circulation of all newspapers also decreased from 38.4 per cent in 1975 to 37.8 per cent in 1976.

The growth rate of the press fell from 2.2 per cent in 1975 to 0.7 per cent in 1976.

According to the annual report, the total number of newspapers in India was 13,320 in 1976 as compared to 12,423 in 1975, an increase of 7.2 per cent.

Small Newspapers

Small newspapers which accounted for 53.9 per cent of all the newspapers in the country also did not fare well. Their number fell by 379 to 7188 during 1976 as compared to 7,567 in the previous year, a fall of five per cent. Their circulation also fell from 1,56,08,000 in 1975 to 1,48,62,000 in 1976.

The share of the small newspapers in total circulation fell to 43.6 per cent from 46.1 per cent in the previous year. In the total circulation, the share of medium newspapers fell from 19.1 per cent in 1975 to 18.3 per cent during the year under review, while the big newspapers substantially improved their share by claiming 38.1 per cent of the total circulation.

Ownership Pattern

The number of common ownership units rose from 81 in the previous year to 83 in 1976. The number of newspapers brought out by these units also rose to 331 from 320 in 1975. However, as many as 8,104 newspapers or 60.9 per cent of the total newspapers on record were owned by individuals, making this form of ownership the most predominant one.

The report showed that Hindi newspapers increased both in number and circulation during 1976. There were 3,289 Hindi newspapers as compared to 3,142 in the previous year. But their share in the overall total fell from 25.3 per cent in 1975 to 24.7 per cent in 1976. English newspapers were 2,765 in number claiming 20.8 per cent of the total. Hindi continued to be the language in which the largest number of newspapers were brought out in the country. The share of bilinguals, multilinguals and foreign publications in the total circulation was marginal. The largest number of dailies (279) was also in Hindi. There were 84 English dailies, 100 Urdu dailies, 103 Marathi and 93 in Malayalam. In respect of weeklies also Hindi led the field with 1456 publications to its credit, while English had the largest number of other periodicals (2347).

In respect of circulation, English language newspapers continued to be in the lead with 78,28,000 copies, and Hindi followed close behind with 77,38,000 copies. Apart from these two languages, Tamil, Malayalam, Gujarati, Marathi, Urdu, Bengali, Telugu and Kannada claimed more than a million copies each for their newspapers.

The circulation of Hindi weeklies continued to be highest for any language with 22,69,000 copies followed by English with 12,55,000 copies.

Newspapers were published in 42 'other languages' including some foreign languages also in addition to the languages enumerated in the eighth schedule of the constitution. Among them, Konkani had a circulation of 22,000 copies, Nepali 10,000, Manipuri 9,000 and Santhali 7,000 copies. Burmese, Chinese, French, Indonesian, Italian, Spanish,

Number of Newspapers and Periodicals in India: 1971-76
(Periodicity-wise)

Periodicity	As on December 31					
	1971	1972	1973	1974	1975	1976
Dailies	821	793	830	822	835	875
Tri/Bi- weeklies	68	64	68	68	70	74
Weeklies	3,608	3,583	3,875	3,666	3,628	3,801
Fortnightlies	1,420	1,357	1,491	1,411	1,450	1,566
Monthlies	4,583	4,460	4,656	4,491	4,617	4,993
Quarterlies	1,101	1,098	1,130	1,124	1,197	1,320
Other periodicities	451	428	460	459	479	535
Annuals	166	143	143	144	147	156
Total: All Periodicities	12,218	11,926	12,653	12,185	12,423	13,320

Number of Newspapers and Periodicals in India: 1976—Language and Periodicity-wise

(As on December 31, 1976)

Language	Dailies	Tri-/Bi-weeklies	Weeklies	Fortnightlies	Monthlies	Quarterlies	Other periodicities	Annuals	Total 1976	Total 1975	Total 1974
Hindi	252	27	1,456	439	919	144	37	15	3,289	3,142	3,200
English	89	5	324	208	1,176	609	283	71	2,765	2,559	2,453
Urdu	94	6	482	127	233	26	6	1	975	929	915
Bengali	22	7	231	109	295	140	49	2	855	771	739
Marathi	94	9	252	67	292	46	18	28	806	748	717
Tamil	58	—	94	130	314	18	4	—	618	556	527
Gujarati	37	3	139	71	275	37	12	6	580	567	569
Malayalam	91	2	82	65	277	13	5	4	539	498	465
Telugu	17	1	122	73	213	11	4	—	441	418	425
Kannada	53	3	122	60	126	20	7	1	392	348	331
Punjabi	12	1	109	21	103	18	14	—	278	259	268
Oriya	10	—	17	15	77	17	1	1	138	135	128
Sindhi	4	—	19	4	27	3	1	—	58	55	59
Assamese	3	1	12	11	9	9	4	—	49	38	32
Sanskrit	1	—	2	1	9	8	2	—	23	22	22
Kashmiri	—	—	1	—	—	—	—	—	1	1	1
Others	16	—	29	22	53	34	8	—	162	138	121
Bilingual	18	9	262	123	471	123	60	21	1,087	992	989
Multilingual	4	—	46	20	124	94	20	6	264	247	224
Total : 1976	875	74	3,801	1,566	4,993	1,320	535	156	13,320		
Total : 1975	835	70	3,628	1,450	4,617	1,197	479	147		12,423	
Total : 1974	822	68	3,666	1,411	4,491	1,124	459	145			12,185

Number of Newspapers and Periodicals in India—Age-Group and Periodicity-wise

(As on December 31, 1976)

Periodicity	Number of newspapers in different Age group 0-2 years (1)	3-5 years (2)	6-10 years (3)	11-30 years (4)	31-50 years (5)	51-100 years (6)	Above 100 years (7)	Total (All age groups) 1 to 7 (8)
Dailies	155	153	140	321	69	29	8	875
Tri-/Bi-weeklies	12	14	18	23	2	5	—	74
Weeklies	943	842	809	977	144	78	8	3,801
Fortnightlies	520	417	315	269	32	11	2	1,566
Monthlies	1,252	1,091	901	1,394	247	106	2	4,993
Quarterlies	341	300	280	353	34	9	3	1,320
Other periodicities	153	128	120	123	4	7	—	535
Annuals	28	29	38	47	9	5	—	156
Total : All Periodicities	3,404	2,974	2,621	3,507	541	250	23	13,320

Portugese and Swahili were the foreign languages in which newspapers were published in India during the year under review.

The Ananda Bazar Patrika, Bengali daily published from Calcutta with a circulation of 291,129 copies maintained its position as the largest circulated single edition daily newspaper in the country in 1976.

The Indian Express with 403,927 copies maintained its position as the largest circulated multi-edition daily. The Times of India came second with 346,733 copies, while the Malayala Manorama with 327,444 copies became the third.

The Kumudam, a Tamil journal from Madras with 438,621 copies was the largest circulated weekly in the country, followed by the Malayala Manorama, weekly from Kottayam with 377,625 copies.

Among non-weekly periodicals, the Readers' Digest, an English monthly from Bombay topped the list with a circulation of 195,117 copies, followed closely by Manohar Kahaniyan, a Hindi monthly from Allahabad with a circulation of 194,437.

State-wise Study

Maharashtra published the highest number of newspapers (1,948). Delhi with 1,637 newspapers was second followed by Uttar Pradesh with 1,597 and West Bengal with 1,347 newspapers. Andhra Pradesh, Gujarat, Karnataka, Rajasthan, Tamil Nadu, Kerala and Madhya Pradesh published more than 500 newspapers each.

Uttar Pradesh where the number of dailies fell from 134 in 1975 to 128 in 1976, lost its position as the premier publisher state for dailies to Maharashtra which published 129 daily newspapers during the year under review. Kerala (93), Madhya Pradesh (78), Karnataka (76) and Tamil Nadu (66) were the other major publisher states.

Uttar Pradesh was able to retain its position as the biggest publisher of weeklies with 764 publications to its credit. Maharashtra which published 452 weeklies occupied the second position. Andhra Pradesh (318), Rajasthan (303), West Bengal (280), Madhya Pradesh (258), Delhi (230), Karnataka (179), Bihar (160), Punjab (157), Gujarat (136) and Tamil Nadu (120) followed in that order.

Metropolitan Areas

Delhi published 773 English newspapers and 438 Hindi newspapers during the year under-review. Of the other metropolitan cities, Bombay published 503 newspapers in English and 69 in Hindi. The other metropolitan cities of Calcutta had 288 English newspapers and 81 Hindi newspapers and Madras published 197 English newspapers and 8 Hindi newspapers. Delhi with 438 Hindi newspapers took the first place in publishing the largest number of newspapers in that language. Jaipur with 143 newspapers came second, Kanpur published 107 Hindi newspapers, Patna 96, Lucknow 82 and Calcutta 81. Next to English and Hindi, the largest number (145) of newspapers brought out from Delhi was in Urdu. Newspapers in Assamese, Bengali, Gujarati, Malayalam, Marathi, Oriya, Punjabi, Sanskrit, Sindhi, Tamil and Telugu were also brought out from Delhi. In fact, Delhi published newspapers in all major languages except Kannada and Kashmiri.

Concentration of Newspapers and Periodicals : 1976
(Language-wise)

Language	Centre of publication					
	Metropolitan cities (Delhi, Bombay, Calcutta and Madras)	State capitals* (Excluding metropolitan cities)	Cities with population one lakh and above	Towns with population below one lakh	Total 1976	Total 1975
Hindi	596	436	1,251	1,006	3,289	3,142
English	1,761	437	420	147	2,765	2,559
Urdu	237	322	304	112	975	929
Bengali	428	35	132	260	855	771
Marathi	189	7	390	220	806	748
Tamil	318	28	195	77	618	556
Gujarati	126	105	180	169	580	567
Malayalam	10	90	199	240	539	498
Telugu	42	101	173	125	441	418
Kannada	8	187	114	83	392	348
Punjabi	66	19	146	47	278	259
Oriya	11	20	64	43	138	135
Sindhi	21	7	26	4	58	55
Assamese	5	27	—	17	49	38
Sanskrit	8	3	10	2	23	22
Kashmiri	—	1	—	—	1	1
Others	42	54	20	46	162	138
Bilingual	267	210	355	255	1,087	992
Multilingual	85	46	72	61	264	247
Total : All Languages:	4,220	2,135	4,051	2,914	13,320	12,423
Total: 1795	**3,873**	**1,955**	**3,833**	**2,762**		**12,423**

*Including headquarters of union territories.

Concentration of Newspapers and Periodicals : 1976
(Periodicity-wise)

Periodicals	Dailies	Weeklies	Others	Total all periodicals	
				1976	1975
Centre of Publication					
Metropolitan Cities (Delhi, Bombay, Calcutta and Madras)	157	556	3,507	4,220	3,873
State capitals* (Excluding metropolitan cities)	170	654	1,311	2,135	1,955
Cities with population one lakh and above	438	1,386	2,227	4,051	3,833
Town with population below one lakh	184	1,205	1,525	2,914	2,762
Total: 1976	949	2,801	8,570	13,320	12,423
Total: 1975	905	3,628	7,890		12,423

*Including headquarters of the union territories

Ownership Pattern of Newspapers in India : 1976
(Periodicity-wise)

(In terms of percentages unless otherwise indicated)

Periodicity	Form of ownership: Individuals	Societies and associations	Firms and partnerships	Joint stock companies	Other forms of ownership	All forms of ownership
Dailies*	64.3	3.0	9.8	17.2	5.7	100.0
Weeklies	82.8	4.8	5.1	3.2	4.1	100.0
Fortnightlies	76.1	11.8	4.2	1.7	6.2	100.0
Monthlies	51.6	27.3	6.7	3.6	10.8	100.0
Other periodicities	28.9	38.7	3.7	5.9	22.8	100.0
All periodicities: 1976	60.8	19.1	5.7	4.6	9.8	100.0
Actual number of newspapers/ periodicals in 1976	8,104	2,541	761	611	1,303	13,320
All periodicities: 1975	60.7	19.2	5.9	4.5	9.7	100.0
Actual number of newspapers/ periodicals in 1975	7,541	2,382	727	563	1,210	12,42

*Including Tri- and Bi-weeklies

Circulation of Newspapers and Periodicals Under Different Forms of Ownership: 1975 and 1976

Form of ownership	Number of newspapers (for which circulation figures are available) 1975 (1)	1976 (2)	Total circulation (In thousands) 1975 (3)	1976 (4)	Average circulation (In thousands) 1975 (5=3/1)	1976 (6=4/2)
Individuals	4,591 (58.0)	4,346 (57.7)	10,715 (31.7)	9,435 (27.7)	2.3	2.2
Societies and associations	1,638 (20.7)	1,569 (20.8)	3,393 (10.0)	3,669 (10.8)	2.1	2.3
Firms and partnerships	480 (6.1)	460 (6.1)	3,980 (11.8)	3,521 (10.3)	8.3	7.7
Joint stock companies	451 (5.7)	440 (5.8)	12,688 (37.5)	13,523 (39.7)	28.1	30.7
Trusts	221 (2.8)	234 (3.1)	1,384 (4.1)	2,243 (6.6)	6.3	9.6
Other (forms of ownership)	533 (6.7)	488 (6.5)	1,662 (4.9)	1,684 (4.9)	3.1	3.5
Total: All forms of ownership	7,914 (100.0)	7,537 (100.0)	33,822 (100.0)	34,075 (100.0)	4.3	4.5

Note: Figures in brackets represent the percentage share of the 'relevant form' of ownership in the total for 'all forms' of ownership.

Share of Leading Common Ownership Units in the Total Circulation of Metropolitan Dailies: 1976

Common ownership unit (Circulation over 1000,000)	Dailies: Number	Per cent to total	Total circulation: In thousands	Per cent of total	Percentage of total of all metropolitan dailies: 1976	1975
Bennett Coleman and Company	9	25.7	846	30.7	23.1	21.8
Express Newspapers	7	20.0	455	16.5	12.4	13.5
Hindustan Times and Allied Publications	4	11.4	347	12.6	9.5	9.9
Ananda Bazar Patrika	5	14.3	317	11.5	8.7	9.3
Amrita Bazar Patrika Pvt Ltd	3	8.6	297	10.8	8.1	8.8
Statesman Ltd	2	5.7	189	6.9	5.2	54
Kasturi and Sons Ltd	1	2.9	167	6.1	4.6	4.8
Indian National Press (Bombay) Ltd	4	11.4	134	4.9	3.6	4.1
Total	35	100.0	2,752	100.0	75.2	77.6

Circulation of Newspapers and Periodicals in India : 1971-76
(Periodicity-wise)

(In thousands)

Year	Dailies	Tri/Bi-weeklies	Weeklies	Fortnightlies	Monthlies	Other periodicities	Total all periodicities
1971	9,096	104	8,065	2,307	8,596	1,451	29,619
1972	8,873	130	9,143	2,569	9,744	1,578	32,037
1973	9,436	107	10,507	3,134	10,233	1,853	35,270
1974	9,222	128	9,502	2,690	9,907	1,643	33,092
1975	9,383	114	9,380	2,707	10,407	1,831	33,822
1976	9,338	123	9,154	2,745	10,839	1,876	34,075

Circulation of Newspapers and Periodicals in India : 1976
(By size-category, circulation range and periodicity)

Size-category,	Big		Medium	Small		All sizes
circulation range	Above 100,000	50,001 —100,000	15,001 —50,000	5,001 —15,000	Upto 5,000	All circulation ranges (total 1 to 5)
Periodicity	(1)	(2)	(3)	(4)	(5)	(6)
A: Number* of Newspapers/Periodicals						
1. Dailies**	23	19	89	158	352	641
	(3.6)	(3.0)	(13.9)	(24.6)	(54.9)	(100.0)
2. Periodicals	33	40	145	499	6,179	6,896
	(0.5)	(0.6)	(2.1)	(7.2)	(89.6)	(100.0)
3. All newspapers/periodicals (Total 1+2)	56	59	234	657	6,531	7,537
	(0.7)	(0.8)	(3.1)	(8.7)	(86.7)	(100.0)
B: Total Circulation (In thousands)						
4. Dailies**	3,473	1,272	2,531	1,428	757	9,461
	(36.7)	(13.4)	(26.8)	(15.1)	(8.0)	(100.0)
5. Periodicals	5,419	2,821	3,697	4,279	8,398	24,614
	(22.0)	(11.5)	(15.0)	(17.4)	(34.1)	(100.0)
6. All newspapers/periodicals (Total 4+5)	8,892	4,093	6,228	5,707	9,155	34,075
	(26.1)	(12.0)	(18.3)	(16.7)	(26.9)	(100.0)
C: Average Circulation B/A (In thousands)						
7. Dailies**	151.0	66.9	28.4	9.0	2.2	14.8
8. Periodicals	164.2	70.5	25.5	8.6	1.4	3.6
9. All newspapers/periodicals (Average 7 & 8)	158.8	69.4	26.6	8.7	1.4	4.5

Note: Figures in brackets represent the percentage share of the relevant circulation range in the total for all circulatio ranges.

* Figures denote the number of newspapers/periodicals to which the circulation figures in 'B' relate/pertain.

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12/6

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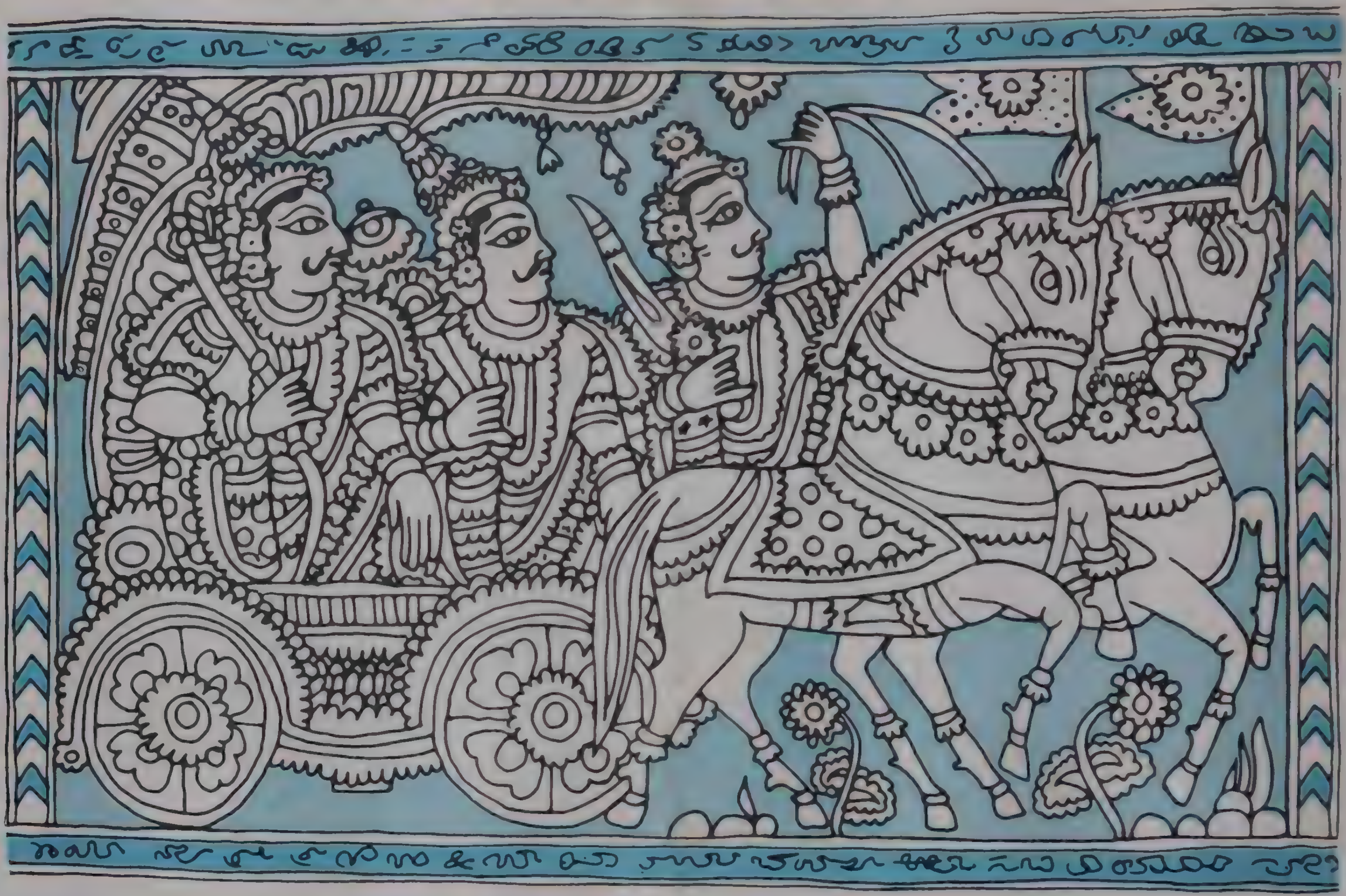

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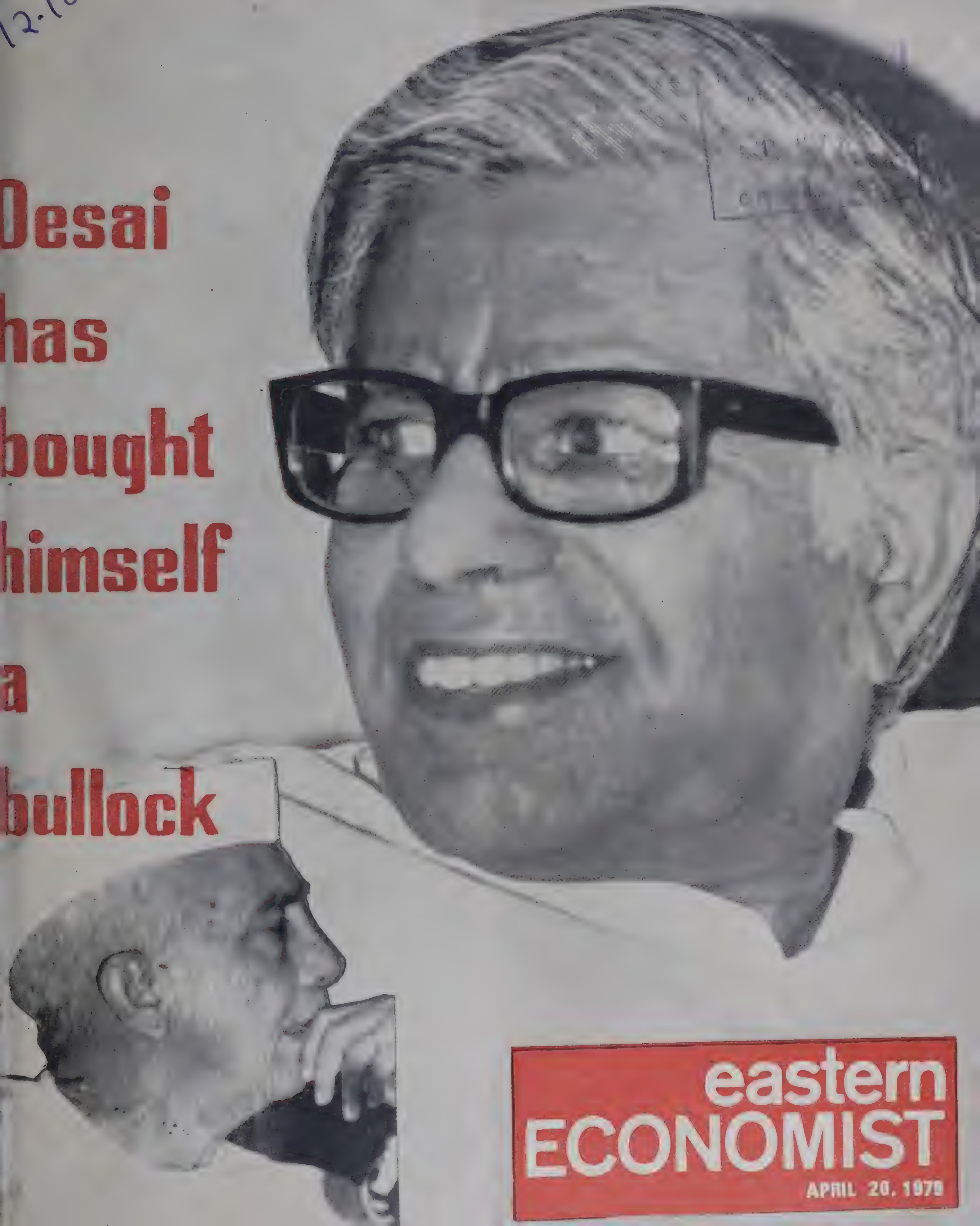

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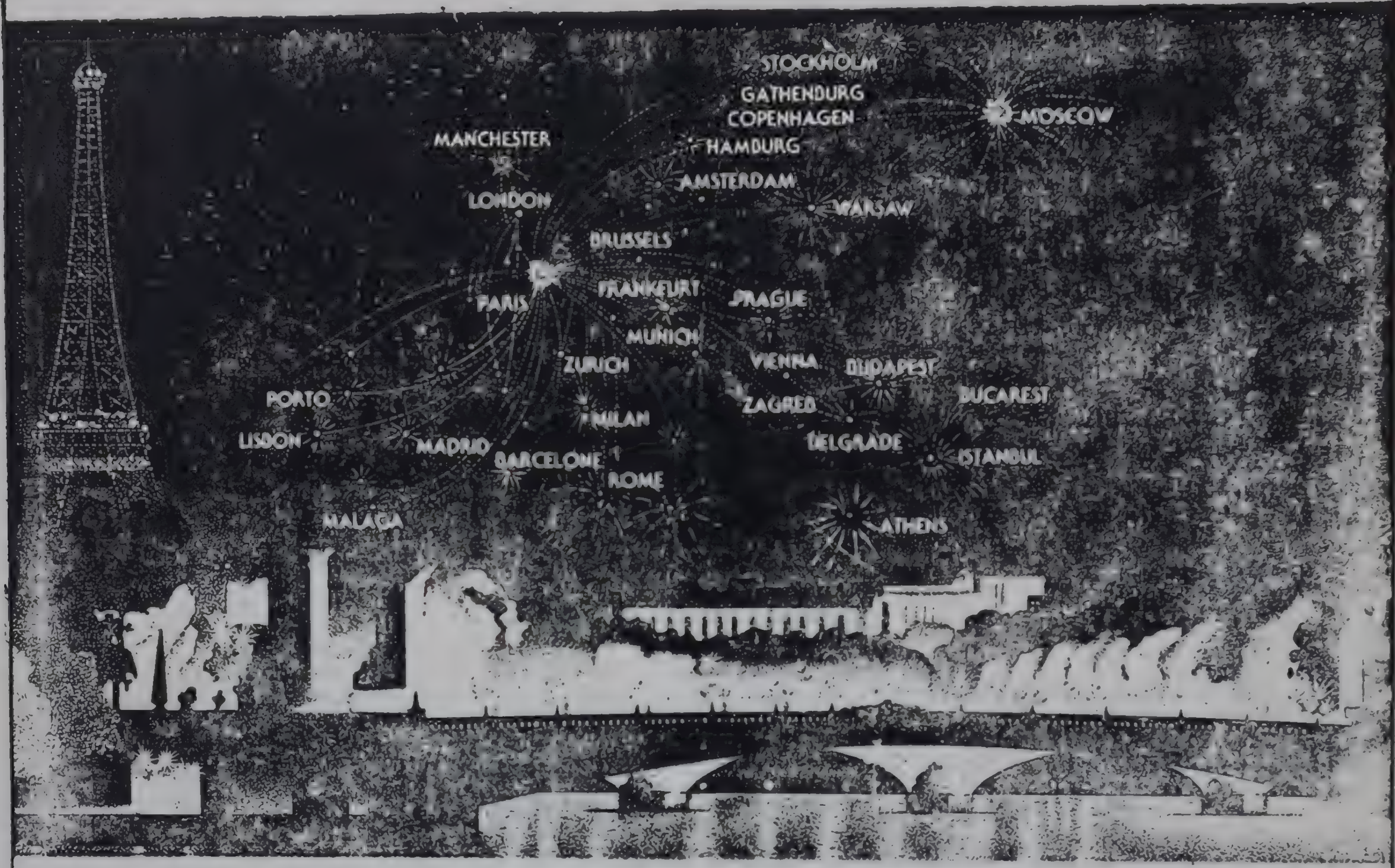

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Whither trade gap!

THE OPTIMISM expressed by the ministry of Commerce sources last month that exports during 1978-79 might exceed Rs 5,600 crores, as against Rs 5,373 crores in 1977-78, does not appear to be misplaced, even though during the nine months to December last they had significantly trailed behind the shipments during the corresponding period in the previous year.

The provisional data available up to February reveal that the performance during January and February has been quite encouraging. While exports during January, 1979, at nearly Rs 399.38 crores were higher than those in January, 1978, by 22 per cent, in February at Rs 393.55 crores, they showed an increase of 13.2 per cent over the February, 1978 figure. Exports during the 11 months to February aggregated to Rs 4,938 crores, as against Rs 4,798 crores during the corresponding period in 1977-78—an increase of 3.1 per cent.

Even if exports during March were around the level a year earlier—Rs 585 crores—the year should have ended with Rs 5,523 crores worth shipments. The minister for Commerce, Mr Mohan Dharia, however, indicated last week that the overall growth in export earnings in 1978-79 would be between 4 and 5 per cent. At just four per cent growth, the exports will fall short of the expectation of Rs 5,600 crores only marginally.

Although taking into consideration the widening gap between exports and imports the above order of growth in exports leaves much to be desired, yet judged against the background of the major factors which inhibited shipments in 1978-79, the performance cannot be said to be entirely unsatisfactory. Imports during the eleven months to February have been provisionally assessed at Rs 6,001 crores, surpassing exports by as much as Rs 1,063 crores. Indications are that the overall trade deficit this year might turn out to be as large as Rs 1,500 crores. Some estimates put this figure even around Rs 2,000 crores.

The sharp increase of the trade gap during 1978-79—from Rs 692.9 crores in 1977-78—however, has to be judged in the context of the deliberate policy of liberalised imports to facilitate increases in both agricultural and industrial production and to make available to the people essential commodities of consumption at reasonable prices not only through increased imports of these items but also through curbing their exports. Another important consideration for liberalising imports has been the containment of the inflationary potential of the large remittances by Indians abroad.

A detailed analysis of the trends during the first half of 1977-78 reveals that exports of several items registered a significant increase. These were: (i) machinery, including transport equipment (23.8 per cent increase compared to the exports during April-September, 1977); metal manufactures (9.3 per cent); chemical and allied products (33.5 per cent); cotton apparel (54.7 per cent); jute manufactures (3.9 per cent); leather and leather manufactures, including footwear (6.7 per cent); sugar (78.7 per cent); gems and jewellery (28.2 per cent); works of art (17.8 per cent); hand-made carpets (2.9 per cent); silver (37.4 per cent); and wheat (Rs 40.38 crores from just Rs 3 lakhs).

The above gains, however, were more than offset during the six months to September by sizeable setbacks to exports of tea (48.8 per cent), coffee (38.6 per cent), tobacco manufactures (55 per cent), cashew kernels (62.7 per cent), spices (23.9 per cent), oilcakes (75.1 per cent), iron ore (16.4 per cent), cotton fabrics (28.9 per cent) and iron and steel (19.1 per cent). In the subsequent four months, leather and leather manufactures, man-made textiles and cotton garments as well as marine products are said to have done even better.

The overall decline in exports up to December last is attributed to various factors: (i) recessionery conditions prevailing in the developed countries and the protectionist measures adopted by them; (ii) fall in the rupee-value of US dollars; (iii) considerable fall in the international prices of such items as tea (23 per cent), coffee (43 per cent), pepper (14 per cent), oilcakes and iron ore; (iv) reduction in exportable surpluses caused by various domestic factors such as increase in demand in the case of iron and steel, cement, etc, power shortage, congestion at ports, industrial unrest and unprecedented floods in Uttar Pradesh, Bihar and West Bengal and reduced availability of imported raw cashew nuts and some difficulties in obtaining raw nuts locally; and (v) deliberate policy of the government to restrict/control exports of some items to enable sufficient domestic availability at reasonable prices and, thus, to reduce the sufficient cost exports.

rising imports

As regards imports, they went up markedly during the six months to September, compared to the corresponding six months in 1977, in the case of fertilisers (167.5 per cent); transport equipment (93.3 per cent); medicinal and pharmaceutical products (53.3 per cent); iron and steel (51.5 per cent); non-ferrous metals (41 per cent); pearls, precious and semi-precious stones (36.7 per cent); paper, paper board and manufactures thereof (31.9 per cent) and organic chemicals (22.6 per cent). The imports of some other items went up moderately. These included artificial resins, plastic material, etc (19.5 per cent), inorganic chemicals (16.9 per cent), synthetic and regenerated fibres (5.4 per cent), machinery other than electric (1.8 per cent) and mineral fuels, lubricants and related materials (one per cent). The imports of raw cotton declined sharply by 80.7 per cent and those of cereals and cereal preparations, electrical machinery and edible oils by 33.4 per cent, 23.7 per cent and four per cent, respectively.

Exports to western Europe fell during the first half of 1978-79, as compared to the corresponding period in the previous year, by 2.2 per cent—from Rs 714 crores to Rs 698 crores; to the European Economic Community by 6.8 per cent—from Rs 662 crores to Rs 616 crores (partly neutralised by increase in exports to EFTA from Rs 39 crores to Rs 66 crores); and to eastern Europe by nearly 33.3 per cent—from Rs 494 crores to Rs 325 crores. The growth in exports to North America decelerated considerably from 16.3 per cent during April-September, 1977, to just 2.6 per cent, the increase during April-September, 1978, being to Rs 355 crores from Rs 346 crores in these months in 1977. Exports to Asia and Oceania, however, went up by about 8.6 per cent to Rs 932 crores from Rs 858 crores and to Africa by nearly 6.5 per cent to Rs 171 crores from Rs 161 crores. In Asia, the offtake by ESCAP countries improved by 12.1 per cent to Rs 649 crores from Rs 579 crores and by west Asia by 1.4 per cent to Rs 282 crores from Rs 278 crores.

India's Balance of Trade
(Rs in crores)

Year	Imports	Exports (including re-exports)	Balance of trade
1973-74	2955.37	2523.40	(—) 431.97
1974-75	4518.78	3328.83	(—) 1189.95
1975-76	5264.78	4036.26	(–) 1228.52
1976-77	5073.95	5145.78	(+) 71.83
1977-78	6066.42	5373.54	(—) 692.88
1978-79 April-Feb. (Provisional)	6001	4938	(—) 1063

Imports from western Europe increased to 33.9 per cent from 28 per cent and those from the EEC to 30.5 per cent from 25.2 per cent. Asia and Oceania as well as America could maintain their percentages around 38 and 18. Imports from eastern Europe declined to eight per cent from 11 per cent and from Africa to 2.4 per cent from five per cent.

The export effort during the current financial year apparently has to be stepped up a great deal. Despite the endeavours at containing the growth in the demand for petroleum products, the import bill on this score is bound to jump as a result of the recent decisions of the OPEC. The imports of steel, fertilisers, equipment and machinery as well as a host of other items too are envisaged to be raised significantly. The remittances by Indians abroad, on the other hand, are understood to have started stagnating. The country can ill-afford to allow a large adverse trade balance. It will lose the manoeuvrability it had achieved in the past three years as a result of the free foreign exchange resources going up.

Let small units proliferate

SOME OF the recommendations of the committee appointed by the ministry of Industry in October last for making recommendations on streamlining the procedures governing small-scale industries, undoubtedly, are bound to provoke controversy. But it has to be conceded that this body under the convenership of Mr Chakradhari Agarwal, secretary-general of the National Alliance of Young Entrepreneurs, has made a commendable job of its assignment. A similar task has been performed with equal distinction by the H.P. Nanda committee of industrialists in respect of the entire gamut of licensing in so far as large industries are concerned. The principal conclusions and recommendations of the latter are reproduced in the Records and Statistics section of this issue. Here it is proposed to deal with the suggestions of the former.

In view of the heightened emphasis being placed on the development of the decentralised sector of our industrial economy, including the tiny sector, the Chakradhari panel has appropriately suggested that the small industries development organisation at the centre shoul function almost as a small industries development authority so that its writ coul work. In fact, it has been pleaded tha a separate department of small industrie should be created in the ministry o

Industry to lay down the national policies in regard to their growth and development.

Many useful recommendations have been made for strengthening the infrastructure for small industries—provision of consultancy and finance, marketing of their products, etc. Noting that the state finance corporations have, by and large, stepped up their assistance to small units, it has called upon these corporations to shoulder the additional responsibility of nurturing the units that become sick, because of reasons beyond their control, by providing concessional finance. The National Small Industries Corporation, it has been suggested, should increasingly concentrate mainly on providing marketing assistance to the decentralised sector. A single point registration with this body should be considered valid for all government agencies, including the railways, defence and other public sector organisations. The district industries centres, which are currently being set up throughout the country, the committee opines, should act as a single point contact for small units for the purposes of obtaining sanctions of finance including working capital, land, sheds, water and power connections and all the other necessary permits and licences. The committee has also urged a raise in the proportion of the governmental purchases from the small-scale sector.

refinance facility

Equally wholesome is the recommendation of the committee that a small industries development bank should be set up immediately at the centre to provide refinance facilities to financial institutions and banks to cover risk, service export credit requirements, monitor the disbursal of credit and financing of small units and provide funds to state corporations for development of land, construction of sheds, etc., at four per cent interest. The rate of interest charged on working capital made available by banks to small units, the committee feels, should be 10 per cent and in the case of tiny units eight per cent. At least one per cent of the value of bank advances to the priority sector, it has been suggested, should be set apart to cover losses incurred by units falling sick due to unavoidable reasons. A scheme should be introduced to insure against erosion of capital suffered by small units and banks due to their sickness.

Pointing out that small units are not able to take any significant advantage of the present capital subsidy, the committee has suggested that they should be provided an employment subsidy. In the interest of avoiding the heavy paper work involved in complying with the government regulations regarding social security measures for workmen, a single payment under social security levy based on the wages of the employees should be introduced in the case of small units. This single payment could be pooled at the state level and transferred to various funds. Simplification of the various state and central legislations has been recommended to minimise contact with the governtal machinery.

useful suggestions

Among the other useful suggestions made are: (i) compulsory registration of small-scale units; (ii) establishment of a bureau of small industries intelligence; (iii) bringing under the purview of the MRTP Act deliberate and mala fide undercutting by large industries to price out the products of small units; (iv) enactment of legislation to ensure prevention of encroachment by large units in areas reserved for the small-scale sector; and (v) single point membership for small units of all export promotion councils.

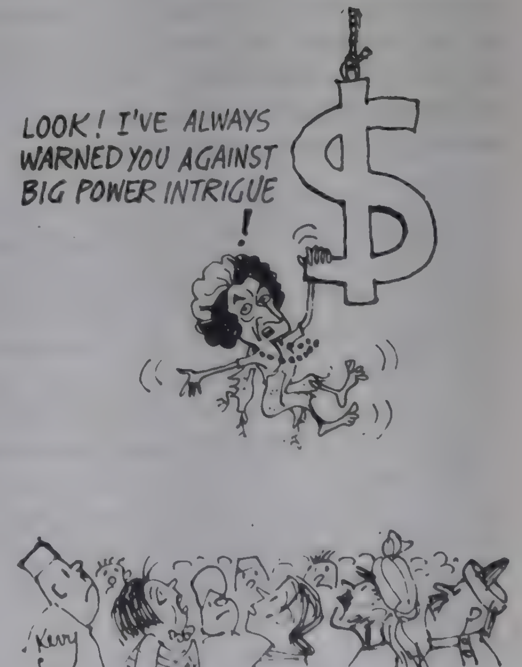
The permissions and licences given under various acts of central and state governments, it has been recommended, should be for a minimum period of three years. All licensing applications should be disposed of within a maximum time limit of 30 days.

The committee has expressed the view that apart from canalising agencies like the STC and the MMTC, small industries corporations should be allowed to take over the complete responsibility of ensuring timely and adequate distribution of scarce raw materials like iron and steel, aluminium and other non-ferrous metals, soda ash and paraffin wax. To ensure that indents are bona fide, indentors should be asked to deposit one to two per cent of the value as earnest money or give equivalent bank guarantee.

The committee has also suggested that all ancillary units with plant and machinery up to Rs 15 lakhs should be recognised as SSI units. Ancillary status should be enjoyed by a unit initially for a period of five years, after which the regular procedure of tenders should be accepted. Inspection of all finished products should be completed within 15 days.

The two controversial recommendations of the committee are the making of the demands of small units the first charge on the available raw materials and power resources. Though justified from the point of view of the small-scale sector, this may entail undue sacrifices on the part of the organised sector. The labour strength of the organised sector too has to be contended with. There, of course, can be no denying the fact that the requirements of the small units, as also of the large ones, should be catered for in larger measures through augmentation of the supplies of both raw materials and power. The plea that small industries should be charged for power actually consumed by them and not on the basis of the minimum guarantee charge, of course, is a judicious one.

Of immediate significance is the recommendation of the committee that excise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concessions offered to small industries up to a turnover of Rs 30 lakhs should not be modified. This concession has been diluted a great deal by the deputy prime minister and minister for Finance, Mr Charan Singh, in his this year's budget proposals.

The government has also been urged to introduce soon in Parliament a bill to amend the Indian Partnership Act.

New demographic goals

NOTWITHSTANDING THE fact that the family planning programme has suffered a substantial setback during the last two years, primarily as a reaction to the coercion used during the period of emergency, the Working Group on Population Policy, appointed by the Planning Commission in October last with Dr V.A. Pai Panandiker as chairman, has recommended that the country should work for reducing the present net reproduction rate (NRR) of 1.67 to the unity level by the year 2001 A.D. In the case of some states, where the performance in the recent years has been satisfactory, this goal could be accomplished even by 1996.

The goal, which implies essentially moving towards a two-child family norm and ultimately replacement of a mother by one daughter, the group feels, is within national competence, provided, of course, the professed developmental plans are properly executed and implemented.

Very significantly, the group has expressed the view that besides developmental activity, provision of social services has an important bearing on fertility behaviour. Health care measures and spread of education, specially amongst women, should yield very wholesome results. The birth rate, the group points out, has already been brought down in the past 12 years, during which family planning programme came to be administered in right earnest, from 41 to 33 per thousand. The goal of NRR one will require it to be brought down further to 21 per thousand. Simultaneously, the death rate, which has been reduced from over 20 to 14 per thousand, will have to be brought down to nine per thousand. The accent, it has been suggested, should be on reduction in both the birth and death rates and establishment of a balance around NRR one at low mortality rate, for it will induce the reproductive couples to go in for smaller family norms voluntarily.

In line with the June, 1977, policy statement of the government the group has stressed that the programme of family welfare should be entirely voluntary. It has significantly noted that even though compulsory sterilisations declined from nearly 8 million in 1976 to just 9 lakhs in 1977, they improved to 1.2 million last year, indicating that the voluntary programme can definitely succeed. In terms of the above goal, the percentage of eligible couples to be effectively protected by modern methods of family planning will have to be raised in the next 21 years to 60 from around 22 currently. Nearly 84 million eligible couples will have to be protected by 1996, as against about 24 million in 1978.

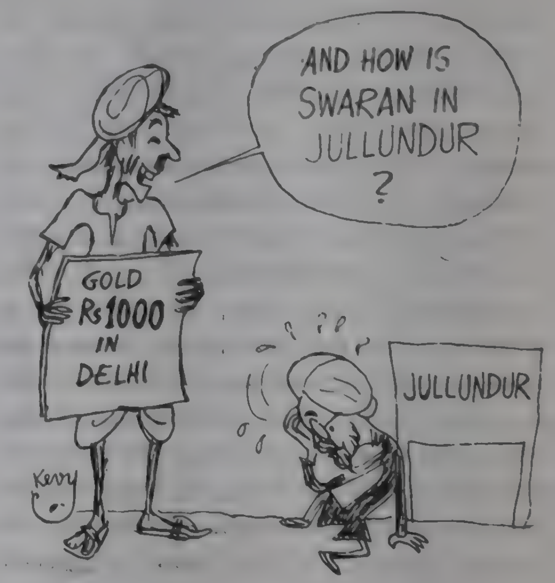
basic departure

Two basic departures have been suggested by the group from the population policy followed hitherto. Concerted efforts, it has been recommended, should be made in the low performance states, particularly Bihar, Uttar Pradesh, Jammu and Kashmir and Rajasthan, towards family welfare and planning, as against the current practice of providing incentives to the state governments according to their performance. The states, it has been suggested, should be grouped into three categories according to the different levels of effective protection available there; group A states where the level of protection for eligible couples is less than 15 per cent—Bihar, Uttar Pradesh, Rajasthan, Jammu and Kashmir, Manipur, Meghalaya, Nagaland, Tripura, Mizoram and Arunachal Pradesh; group B states where the level of protection is between 15 and 25 per cent—West Bengal, Assam, Karnataka, Orissa and Madhya Pradesh; and group C states where the level of protection is over 25 per cent—Andhra Pradesh, Tamil Nadu, Kerala, Maharashtra, Gujarat, Punjab, Haryana, Himachal Pradesh, Delhi, Chandigarh and Pondicherry. Each state should be assisted by the central government in choosing its appropriate path which is politically, socially and administratively most suited to it for achieving the goal for NRR one.

The second departure recommended is that although the family welfare programme should be centrally sponsored till it gets firmly established, the states should be involved in it more and more: so also the political parties and various social and economic institutions, particularly at the local level. The successful implementation of the various programmes of economic and social change, especially rural health, adult education (particularly women's education), rural water supply, nutrition programme, rural development etc., it has been stressed should be vigorously pursued.

Within the overall target of achieving NRR one by 1996 in some states and by 2001 in the entire country, it has been suggested that the March, 1983, target should be 30 per cent effective protection of eligible couples for the nation as a whole. The entire health and family planning infrastructure should be put in position by 1989. The low performance states, it has been recommended, should speedily create health and family welfare infrastructure. This programme should be specially funded by the Planning Commission.

The entire programme up to 2001, it has been estimated, will entail a capital



expenditure of Rs 3,000 crores and a similar expenditure as direct cost of providing effective protection to eligible couples. Bulk of the capital expenditure will have to be incurred during the next 10 years to 1989.

Promoting wheat revolution

IN SPITE OF the fact that a major concession was provided by the deputy prime minister and minister for Finance, Mr Charan Singh, in his this year's budget proposals to the farming community in the form of reducing the excise duty on fertilisers by 50 per cent, it, indeed, was difficult for the central minister of Agriculture to set aside the majority opinion of the Agricultural Prices Commission (APC) in regard to the procurement price for wheat during the ensuing season. Mr Surjit Singh Barnala announced in Lok Sabha last week that the government had decided to fix the procurement price for the 1979-80 wheat marketing season at Rs 115 per quintal, as suggested by the APC and to continue free movement of the commodity throughout the country. The procurement on government account, he stressed, was to be as a price support measure. No formal target of procurement, therefore, had been fixed.

Undoubtedly, the output of wheat has shown very encouraging trends during the past five years. It has gone up from 21.78 million tonnes in 1973-74 to as much as 31.33 million tonnes last year. Further improvement in production is expected this year. This had prompted a feeling in certain circles that successive increases in the procurement price for this major cereal crop were no longer warranted. Even the member-secretary of the APC, Mrs Thamarajakshi, in a note of dissent to the last report of this august body, had argued against any increase in price from the last year's level of Rs 112.50 a quintal. No increase in the wheat support price, she had contended, should be permitted because "in a situation where production is rising, supplies are forthcoming, surpluses are emerging and market prices are stabilising, there does not exist any economic rationale for effecting an upward adjustment in the administered price of wheat."

The major producer states, however, had called for a much higher raise in the procurement price than suggested by the majority of the members of the APC. For instance, Punjab and Haryana wanted the price to be increased to Rs 130 a quintal. The states of Gujarat, Uttar Pradesh, Maharashtra and Madhya Pradesh desired a more substantial step-up ranging up to Rs 140. The APC had struck a balance between demands and the plea of the consumer states for the maintenance of the status quo, taking into consideration the increasing production costs.

The central government's above decision is indicative of its feeling that the time has not yet come when the country should feel embarrassed by its wheat surpluses and should discourage farmers from the cultivation of this crop. Stress has to be placed on fostering the green revolution to the extent possible so that surpluses can be utilised for maintaining the recently built-up buffer stock as an insurance against years of lean production and also to utilise them for such useful purposes as the Food-for-Work Programme. Besides, it must be conceded that the acceptance of the APC's recommendation was warranted, despite the cut in the excise duty on fertilisers, as some other farming inputs are bound to cost more in view of the recent price trends in regard to steel, petroleum and several consumer items purchased by the agriculturists.

The issue price having been raised by Rs 5 per quintal to Rs 130 with effect from December 1 last year and there being an imperative need to contain foodgrain prices in the interest of keeping inflationary tendencies under control obviously did not warrant a further raise in it, although the subsidy involved in the sale of wheat through the public distribution system is as large as over Rs 500 crores. On top of it, the fertiliser subsidy has been increased substantially. The Food Corporation of India should do well in controlling its operational costs in the interest of keeping the subsidy as low as possible. The provision of

eastern ECONOMIST
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(Cover and other cover story pictures by PANA-INDIA)

subsidy through deficit financing has its limitations.

The real benefit of the support price, of course, can be derived by the growers if purchase centres are judiciously established and no undue delays occur in the procurement operations. Complaints have been there in both these respects during the last marketing season. Care needs to be taken to eliminate them in the season that has just started.

HIL's leaps

HINDUSTAN INSECTICIDES Limited (HIL), a public sector undertaking, completed the 25th year of its operations last year with several new records. The combined technical grade pesticides (DDT and BHC) production from its two plants at Delhi and Udyogmandal (Kerala) touched 6,403 tonnes, as against 5,703 tonnes in 1977-78 and 6,173 tonnes, the previous best output. This was despite the fact that the production of both DDT and BHC had suffered a significant setback at the Udyogmandal unit in the first half of the year due to restricted supplies of chlorine, power breakdowns and labour unrest.

The above problems were mostly overcome during the second half of the year with the result that capacity utilisation at Udyogmandal was raised to 80/94 per cent, yielding a record output of 1,928 tonnes of BHC during the year as a whole, as against 1,526 tonnes in the previous year and 1,859 tonnes the previous highest achieved since the inception of this unit in 1970-71.

The rest of the output of technical grade pesticides was accounted for by technical DDT. The Delhi factory yielded 3,118 tonnes—13 tonnes more than the previous record output. The production of formulated DDT at the Delhi unit too was a new record at 5,758 tonnes, as against 5,745 tonnes the previous best attained in 1976-77. The recovery of by-product—sulphuric acid—improved from the previous best of 3,557 tonnes—in 1977-78 to 3,855 tonnes.

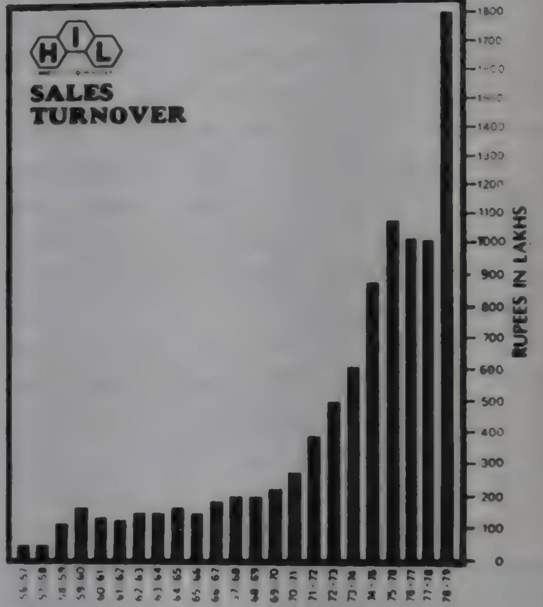
The total turnover of the undertaking at Rs 18 crores exceeded the traditional turnover in the previous two years by as much as 80 per cent. Profitability-wise, however, the enterprise did not fare as well. This was due to steep increases in input costs which could not be fully recovered owing to the necessity of containing the output prices. The spread of overhead charges over a larger output was helpful only to some extent. The profit in physical terms, even then, is expected to show some improvement over the previous year. The erosion would be there in terms of the profit as percentage of sales.

By making available increased quantities of pesticides both for agriculture and public health programmes, HIL has significantly contributed towards reducing the draft on foreign exchange resources. It is keeping a very close liaison with the four southern states of Kerala, Karnataka, Tamil Nadu and Andhra Pradesh, where the consumption of pesticides is high due to the prevalent cropping patterns. To the other states, it provides technical services in general. The relationship with the other states, however, should deepen in the near future as a new formulation—VITAVAX—came to be marketed last year. It is a vital seed dressing fungicide that protects crops, especially wheat, from the dreaded loose smut.

a major project

The third major project of the undertaking at Rasayani, in Maharashtra, has made good progress. Taken up in December, 1976, it is expected to be fully commissioned in the next 10 or 11 months, within the given time schedule of three years. The plant to manufacture technical Malathion to a capacity of 1,800 tonnes per annum has been machanically completed. Its testing is expected to start in September. The plant to produce technical DDT is expected to be commissioned early during the next calendar year. It will have a capacity to yield annually 5,000 tonnes of technical DDT. Another expansion scheme, the Endosulfan formulation plant at Udyogmandal has already been commissioned. The technical Endosulfan plant, which will have a capacity of 1,600 tonnes a year, is likely to be put on stream early next year. The Rasayani project is costing Rs 25 crores and the Udyogmandal technical Endosulfan plant Rs 8 crores.

A new dimension is proposed to be added to the operations of the undertaking soon when its second corporate plan, envisaging a total capital outlay of about Rs 39 crores in the next 10 years, is approved. This programme includes the setting up of a Rs 5-crore joint venture, with participation from the Agro-Industries Corporation of the southern states, at Kovvur, in Andhra Pradesh, to produce annually 3,000 tonnes of 26 per cent technical grade BHC for the first time in the country (hitherto technical grade BHC has been produced only in the range of 13 per cent). This project will be taken up with technical collaboration from a US firm, the detailed engineering being done in India. Another joint venture in partnership with the UP government has been proposed to produce at Moradabad 650 tonnes of technical Malathion and its formulations. It involves a capital expenditure of Rs 4.8 crores. The UP state will have 49 per cent share in this venture and HIL 51 per cent.



The central government is also considering HIL's proposal for building up a central R & D complex at Gurgaon, which is to be assisted by the UNDP. The complex is envisaged to cater for the requirements of the ESCAP region as a whole. The proposal to assist Vietnam in setting up a pesticides unit there is expected to be given concrete shape this year when financial arrangements with international agencies are likely to be finalised. The detailed report for this project is being drawn up.

The overall indigenous production of technical pesticides currently is estimated around 45,000 tonnes, as against the present annual demand of 60/65,000 tonnes. Significant imports continue to be effected at a cost ranging between Rs 20 crores and Rs 30 crores. The installed capacity which aggregates to 67,470 tonnes at present, is expected to be raised by 23,500 tonnes in the next few years. According to the working group on pesticides industry, the demand is likely to go up by 1983-84 in terms of technical material to 64,290 tonnes for agriculture and 47,200 tonnes for public health programmes. It remains to be seen whether the above additions to capacity will be able to fully take care of this demand. Some imports probably will be necessary even if all the schemes under implementation materialise by 1983-84.

North-south link-up

THE CENTURY-old dream of linking the southern-most tip of the country—Kanyakumari—with the northern-most state of Jammu and Kashmir by rail was realised on April 15 when the prime minister, Mr Morarji Desai, inaugurated 87 kms Kanyakumari-Trivandrum broad gauge line. Built at a cost of Rs 15.28 crores, this link has been established over a difficult terrain necessitating construction of 39 bridges, including eight major ones, and five tunnels. The first superfast train will run from Kanyakumari to Jammu Tawi on October 2—Gandhi Jayanti Day. In the meanwhile, shuttle services will run over the new line which needs banking in.

The real significance of the new track, however, goes much beyond the establishment of a direct link between the extreme south and the extreme north. While it will prove a boon to the religious folk going on pilgrimage to Amarnath and many other shrines in the Himalayas, it should foster a great deal the economic development on the area which has significant resources yet to be exploited.

The minister for Railways, Mr Madhu Dandavate, has announced that the Nagarcoil-Tirunelveli line, which is currently under construction, would be completed before December and work would be taken up by then on the Karur-Tirunelveli section and the broad gauge conversion of the entire Dindigul Tuticorin line. This will further help in promoting the economic development of the area. As the Tiutcorin port itself is being expanded, there should be considerable scope for launching industries in this region. The conversion of the Tutinelveli-Tuticorin and Madurai-Tuticorin lines into broad guage ones, it is hoped, will start soon.

The railways have also taken up the task of extending their network in the north-eastern region, comprising Assam, Manipur, Meghalaya, Mizoram, Nagaland and Arunachal Pradesh. Six new lines are proposed to be laid in this area by next year. Decisions on two more lines here are expected to be finalised shortly. The six lines which have been cleared already are Dharmanagar-Kumarghar (cost Rs 9.67 crores); Gauhati-Burmihat (Rs 8.2 crores), Silchar-Jiribam (Rs 12.13 crores), Balipara-Bhalukpong (Rs 4.78 crores), Amguli-Tuli (Rs 4.83 crores) and Lalghat Bhairabi (Rs 10.76 crores).

Towards technology frontiers

A NEW DIMENSION to our metallurgical industry will be imparted this year with the commissioning in stages at Hyderabad of the various production facilities of Mishra Dhatu Nigam Limited (MIDHANI), one of the new projects of the ministry of Defence. The first manufacturing facility of the undertaking, namely, the powder metallurgy plant, is to be commissioned shortly—much ahead of schedule. It will produce tungsten and molybdenum products. The melt shops and the forge shop are expected to be put on stream by September.

Started in February, 1976, the project is scheduled to go on full stream in early 1980. Most modern facilities are being put up here. They include deep vacuum melting and remelting furnaces, a large electroslag refining furnace, a unique forge installation; sophisticated hot and cold rolling mills for producing sheets, strips and coils; bar and wire rod mill; machines for cores and laminations; and extensive facilities for stringent quality control.

The product range of the enterprise covers the following:

(i) *Superalloys*: Nickel base alloys and inconels and incoloys used for gas turbine, space, chemical, furnace, fertilizer and other industries.

(ii) *Special Steels*: Maraging and precipitation hardening steels, a wide range of stainless steel used in aerospace, power engineering, cryogenics, general engineering, engine valves and other industries.

(iii) *Titanium and Titanium Alloys*: Used in chemical, chlor-alkali aerospace and gas turbine industries.

(iv) *Controlled Expansion Alloys*: Invar, Kovar, etc., used for electron tubes, semi-conductor devices and radar components.

(v) *Magnetic Alloys*: Mumetal, radio metal, alnico magnets, etc., used for magnetic amplifiers, magneto-striction devices, telecommunication, etc.

(vi) *High Purity Iron*: Used by telecommunication, electronics and engineering industries.

(vii) *Tungsten and Molybdenum Products*: Used for lamp, electronics, chemical and glass-making industries.

The production range is such as will lead to a considerable import substitution and supply of critical raw materials for most of the crucial industries from indigenous sources.

Although the Defence Metallurgical Research Laboratory, Hyderabad, had devoted considerable research effort to the development of these products within the country, technical collaboration for MIDHANI had been obtained from M/s. Creusot-Loire and Pechiney Ugine-Kuhlmann of France and M/s. Fried Krupp of West Germany so that no further time is lost in putting up indigenous production facilities. The project has been engineered by M/s M.N. Dastur & Company, a well-known private sector consultancy firm.

Much more important than the start of production of the above alloys is the promise that MIDHANI holds for stimulating research and development in the new frontiers of metals technology and providing a base for early scaling up of the indigenous R & D in the field.

Dacca visit fosters goodwill

IT MAY be difficult to endorse the observation of the prime minister, Mr Morarji Desai, at a civic reception held in his honour in Dacca after the conclusion of his talks with the Bangladesh president, Mr Ziaur Rehman, last week, that "he had no doubt that there would no more be any misunderstanding between the two countries (India and Bangladesh) in future". But there can be no denying the fact that these talks have been quite fruitful. Mr Desai visited Bangladesh in reciprocation to Mr Ziaur Rehman's visit to New Delhi nearly 16 months ago.

Besides exchanging views on various regional and international issues, the two leaders discussed the bilateral problems which have defied amicable settlement. It was presumptuous to assume that concrete solutions to these problems would result during the above deliberations. What could realistically be expected was that broad understandings would be reached on resolving them. This, indeed, has been done. Concrete shape would be given to the broad decisions reached in the official level confabulations in the coming months.

The three major bilateral issues which received a good deal of attention during the above talks were: (i) optimum utilisation of the water resources available to the two countries; (ii) demarcation of the boundaries between them; and (iii) the steady flow of Bangladeshi emigrants into the neighbouring Indian states.

In so far as the first issue is concerned, a good deal of progress had already been made through high level talks, held in New Delhi and Dacca alternatively, on the sharing of the Ganga waters. What has now been recognised is that a mutually acceptable solution for the long-term augmentation of these waters should be found as quickly as possible.

The problems relating to some of the other Indo-Bangladesh rivers were also discussed. It was agreed that the joint rivers commission would initiate immediate action to resolve these conflicts to mutual satisfaction and arrangements would also be worked out expeditiously on sharing the waters of the Teesta.

On the demarcation of the land boundary between the two nations, which has been delayed despite an agreement being reached in 1974, the Bangladesh president is reported to have appreciated the difficulties pointed out by Mr Desai of granting a perpetual lease of a corridor to Bangladesh to facilitate access to its enclave—Dhahagram—in the Indian union. A perpetual lease, it has been stressed by Mr Desai, might create some difficulties for a section of the Indian population. Bangladesh has agreed to consider alternative proposals in this regard, to which proposition it had been resisting till now. The two sides have also realised that the stalemate over their maritime boundary serves neither of them. Dissatisfaction on this score has been expressed by Bangladesh. Negotiations in these two respects, it has been decided, should be resumed shortly.

On the issue of illegal emigration of Bangladeshis into the neighbouring Indian states, president Ziaur Rehman has assured that all efforts will be made to stop this flow. India has voiced its acute anxiety over this emigration, which is causing a burden on the Indian economy. To some extent, this emigration is attributed to economic reasons. But more significantly, there has been considerable disturbing movement of people belonging to the minority communities in Bangladesh. It has been emphasised that this can create tensions on the Indian side of the border.

Mr Morarji Desai has expressed satisfaction over his talks with president Ziaur Rehman on the minorities issue. He has drawn attention to certain laws, including the Enemy Property Act, which in some cases has affected the interests of minorities in Bangladesh. It, however, remains to be seen whether the understanding reached can be implemented only through administrative measures.

The Bangladesh president raised the issue of his country's adverse trade balance with India and wanted ways and means to be devised for rectifying it. Some items are said to have been identified which India could import from Bangladesh to reduce the trade imbalance. Bangladesh has also desired that in view of the difficult food situation there, India should supply two lakh tonnes of foodgrains—150,000 tonnes of rice and 50,000 tonnes of wheat.

Good possibilities, it was recognised, exist for increasing cooperation between the two countries in economic, trade, agriculture, shipping and technical fields, including the establishment of joint ventures. Some specific export-oriented projects, such as the manufacture of cement, sponge iron and nitrogenous fertilisers, were identified. It was also agreed that infrastructure facilities, including transport and telecommunications, should be improved between the two countries. Significant scope for expanding cooperation in education, culture, information and science, it was felt, also existed.

The two countries undoubtedly are bound by ties of geography, history, tradition and culture. Close cooperation between them is not only imperative but also natural. It can, indeed, be fostered a great deal in a spirit of give and take.

World food outlook

In its latest report on the world food outlook, the Food and Agriculture Organization of the United Nations (FAO) has expressed the view that rice prices are likely to remain low this year as the export availabilities are high and import requirements lower. The global paddy output in 1978 at 375 million tonnes was higher by five million tonnes, or one per cent, compared to the previous year's output. Production was encouraging both in the exporting and the importing countries. The former registered an increase of two per cent. It was up even in the non-traditional exporting countries such as India, Japan and the Philippines. The importing countries, particularly Indonesia and Sri Lanka, as well recorded improvements in their yields. The output in several countries, especially Bangladesh, Laos, Madagascar and Vietnam, however, showed a decline.

The world trade in rice during the current year is likely to recede to 8.6 million tonnes from the revised estimate of nine million tonnes. Although lower than in 1977 and 1978, it will still be one of the highest in the recent years as large purchases are expected to continue not only from the traditional markets in Europe, Hongkong and Singapore but also from the countries in Africa and the Near East. The share of the latter two regions has gone up substantially in world purchases during the last two years—from 21 per cent to 31 per cent. It may go up to 39 per cent this year.

main uncertainty

One of the main uncertainties about this year's outlook for rice mentioned by the FAO concerns the shipments by non-traditional exporters—India, Japan and the Philippines—whose combined exports in 1978 were of the order of 228,000 tonnes. These would be much higher in 1979. With a bumper crop, large procurement and record stocks, India is likely to maintain or even increase its exports from one lakh tonnes last year. In the Philippines, production last year was an all-time record, despite typhoon damage, and the surplus for export during the season ending June, 1979, is expected to reach as high a level as 270,000 tonnes. Of even greater significance is the Japanese plan to dispose of 4.8 million tonnes of surplus husked rice under a five-year programe starting this month.

From now on, the situation, however, will be increasingly influenced by the outcome of the main southern hemisphere harvests and the spring crops in several northern hemisphere tropical countries. The prospects currently point to an average output with higher crops in Australia, Malaysia, Brazil, Equador and Peru and lower crops in Indonesia, Sri Lanka and the United States.

The prospects for the current year's wheat and coarse grains production, the FAO feels, of course, are average. On current indications, the world output of these cereals at 142 million tonnes would be about four per cent lower than the 1978 record and two per cent below the long-term trend. The decline mainly reflects the expectations of average weather conditions this year, as against exceptionally good conditions last year

The Indian crop is anticipated to touch a new record level of 33 million tonnes, as against 31.3 million tonnes last year. Among the other countries in the Far East, prospects for winter crops and spring plantings are generally good in most parts of China. In Pakistan, output is tentatively forecast at nine million tonnes, compared to 8.3 million tonnes last year.

A regional breakdown of the forecast for 1979 indicates that wheat production is likely to increase slightly only in the Far East and North America. In the USSR, western Europe and Oceania, the output is estimated to decline from the last year's record level. No change is foreseen for the other regions.

As regards coarse grains, substantial declines in the 1979 output are anticipated in North America and in Africa owing to drought in many southern African countries. Increased production is tentatively forecast for the Far East, Latin America and the USSR. In the Near East and Oceania, harvests are expected to remain at about the 1978 levels.

Stocks of cereals in the world at the end of 1978-79 are forecast to reach 105 million tonnes, which is 26 million tonnes or 15 per cent above the 1977-78 level. Most of the increase will be in the stocks held by the developed exporting countries. At the forecast level, stocks would be equivalent to 21 per cent of the apparent consumption in the countries concerned and should be adequate to ensure a minimum degree of world food security in 1979-80.

While the share of aggregate cereal

Mr Charan Singh has demanded a probe into RSS political activity.

stocks held by developed countries continues to increase, that held by developing countries, after the sharp rise in 1976 and 1977, is expected to decline for the second consecutive year. During the last four years, most of the changes in stocks of developing countries, whether up or down, were primarily due to the stock situation in India and Turkey,

Dealing with world trade in cereals, the FAO says that the forecast for 1978-79 has been revised upwards and put at 151 million tonnes, only five lakh tonnes below the record level of last season. Imports by developing countries are estimated to be much lower, mainly owing to smaller requirements of the USSR and the EEC as a result of record domestic crops. Imports by developing countries, on the contrary, are estimated to increase by nine million tonnes or 14 per cent. The largest share of this increase is accounted for by China, which has now become the second largest grain importer in the world.

Chinese imports

China recently signed a three-year agreement with Canada for the import of a minimum of 8.4 million tonnes and a maximum of 10.5 million tonnes of wheat for three years beginning August, 1979. This new contract brings the total Chinese agreements and sales contracts for 1979-80 to 7.2 million tonnes and for 1980-81 to six million tonnes of wheat.

World trade in coarse grains in 1978-79 is also expected to reach the last season's record and is now estimated at 80 million tonnes—one million tonnes over the previous estimate. Over the last 10 years, coarse grain imports by developing countries have steadily increased and are expected to reach 21 million tonnes in 1978-79.

The prices of US wheat and coarse grains have advanced slightly notwithstanding keen competition especially among wheat exporters. The price trend reflects the strong import demand. Import demand for both wheat and coarse grains is continuing strong and exports of these commodities are expected to almost reach last year's record.

Another price supporting element has been the large amounts of wheat and coarse grains kept out of the market under the United States farmer-owned reserve programme.

Spur to Malaysia's development

Malaysia proposes to increase its development expenditure under the current third five-year plan by 73 per cent, which represents a major shift in emphasis halfway through the plan. The government expenditure for development under the third Malaysia Plan, which ends in 1980, would be increased from 18.6bn ringgits to 32.1bn ringgits (£7.1bn). The Malaysian prime minister, Datuk Hussein Onn, who presented the mid-term review of the plan to parliament recently, pointed out that increased government intervention in the economy was necessary to sustain current growth targets in view of the depressed world economy, and the shortfall in the private sector. Originally, under the third Malaysian plan, the private sector was assigned a leading role in stimulating investment and growth. During the first three years of the plan, private investment grew by around 20 per cent as against the planned 33 per cent. This shortfall was explained by the general depression in the world economy following oil crisis.

This shift in emphasis is bound to help Malayia in developing infrastructure for future growth. Malaysia has embarked on a massive road development programme. Emphasis is being placed on the development of the east-west communication system. This means the construction of numerous roadways. Efforts are being made in Malaysia to open up the interior and develop small villages and townships. Railway systems are also being streamlined. Power generation, distribution and telecommunications are to be developed rapidly.

Gradual rise in public expenditure has been visible in Malaysian planning since 1971. The second Malaysia plan (1971-75) aimed at a 6.5 per cent annual real rate of growth of GNP, which was considerably higher than the target that was fixed for the first plan (1966-70) at 4.9 per cent. The public expenditure was nearly twice during the second plan as compared to that during the first plan (1966-70). Datuk Hussein added that the increase in public development expenditure during the remaining years of the third plan would mean that public investment would increase by 9.2 per cent annually, instead of the 6.2 per cent as originally planned. He was confident that the financing of the development programme would not pose any problem. As in the previous two plans, the bulk of the finance would be raised from within the country, he asserted. The resources for the public development expenditure during the second plan were raised by the government from current revenue surpluses, domestic borrowings from the non-banking sector, domestic banking sector, foreign borrowings and foreign grants.

exporting know-how

Good opportunities exist for India to export know-how and equipment to Malaysia in the field of transport including railway and buses, power generation and distribution, and telecommunications. Yet another area which provides substantial scope relates to consultancy for civil engineering works. This was confirmed in a recent study, according to which, on telecommunications alone, the Malaysian government proposes to invest $2.4 billion for development purposes. Bharat Heavy Electricals has already supplied a number of boilers to the Nationa Electricity Board in Malaysia. Transformers and switchgears have also been sold to NEB by various Indian firms. In the interest of maintaining parity in quality it would be better if the standards of Indian transformers and switchgears are upgraded.

Another field where Indian expertise and know-how could be used in Malaysia is the railways. Malaysia has embarked on a railway modernisation programme with a total outlay of $250 million. Under this plan the railways will procure a large number of wagons and coach underframes from different countries. Attempts are also being made in Malaysia to increase speeds of trains from 60 kms to

0 kms and modernise the signal and telecommunication services. These programmes offer good prospects for the export of equipment and rolling stock from India.

New regime in Kampala

WHILE THE Ugandan liberation army was still chasing Field Marshal Idi Amin out of Uganda, three countries—Britain, Ethiopia and Tanzania—granted recognition to the government set up by president Yusufu Lule's National Liberation Front in Kampala. Mr Madanjeet Singh, Indian High Commissioner in Kampala, has already been in touch with the new regime, though the formal announcement of the recognition by New Delhi is yet to come, The head of the Indian mission was among the few who stayed on in the capital of Uganda at the time when the Libyan-supported Amin forces left the city with the liberation troops.

The popular rejoicing at the end of the repressive regime of Idi Amin was followed by a looting spree in which banks and shops were broken open. The Indian High Commission, which is situated in the heart of the city, was also ransacked and some furniture destroyed. The embassies of France and several socialist countries, including that of the Soviet Union, were also looted before the new regime was able to enforce some kind of law and order. Such incidents should not be taken very seriously because they do not reflect the mind of the new administration. In fact, Yusufu Lule has made a significant statement in his first press conference in Kampala, after assuming office, that all Indians who had to leave the country during Idi Amin's regime were welcome back to help rebuild the nation along with their Ugandan brothers.

Before he actually ran for his life after eight years of tyranny, Idi Amin had appealed to five neighbouring African states—Kenya, Zaire, the Sudan, Ruanda and Burundi—for a diplomatic effort against the rebel forces. These forces of Ugandan exiles had been advancing towards Kampala since the launching of a military offensive early this year. Amin's army of about 16,000 men was never solidly behind him. Rebellions had been reported in a number of battalions. The morale of the Ugandan army was low and some units had refused to go to the front. Arab money, as long as it was avallable to Amin for the asking, enabled him to keep his men loyal. But in the face of the daily advance of the forces of Ugandan exiles, supported by the Tanzanian army, the Libyan-supported Amin loyalists just did not display any will to fight.

Amin's main problem was not the weakness of his army. The invasion has done much to surface internal dissent; a clear evidence of this has been the bomb attack on the industrial area of Kampala claimed by the Save Uganda Movement (SUM). The economy of the country has been in ruins because of years of neglect and the fall in the price of coffee which is Uganda's principal export. Faced with acute balance of payments problems, Amin had been anxious to keep exports of coffee up. Coffee production had dropped considerably, while the same was the case with the other main agricultural products such as cotton, tea, tobacco and sugar. The situation had been made much worse for the government by the enormous amount of smuggling which went on across the borders.

Before capturing the administration, the exiles had held at the northern Tanzanian town of Moshi a meeting of Ugandan groups from Africa, Europe and the United States with the Uganda National Liberation Front. Its chairman was Dr Yusufu Lule, 68, former Vice-Chancellor of Uganda's Makerere University who had attended Edinburgh University with Tanzania's president, Dr Julius Nyerere. Exiles also named 10 other members of the Front's committee, none of whom was considered to be a supporter of the former president Milton Obote, who had lived in exile in Dar-es-Salaam since being ousted by president Amin. The Moshi meeting had heard many speeches expressing opposition to Obote's return to power. The possibility of Milton Obote staging a comeback was also remote because he was quite unpopular when he was overthrown in an army coup. At that time, Amin, who was a trusted Army Chief of Obote, had joined the privates to topple his benefactor. Before that coup, Obote had banned all the opposition parties and had abrogated Uganda's national constitution.

Democratic and liberal Uganda can be expected to play a vital role in the development of the area because the three East African states (Kenya, Uganda and Tanzania) had evolved a common programme for economic growth. Uganda is also important for increased inter-African trade because of its geographical location. For instance, Ruanda and Burundi have sent delegations frequently to Uganda for negotiations to obviate economic blockades.

Eastern Economist 30 Years Ago

APRIL 22, 1949

The problem of Government—which is in its simplest terms the problem of finding honest, enlightened, and skilled personnel for administration—is nearly as old as man himself. And it derives not a little of its difficulty from the weaknesses of human nature which, since the beginning of time, seems not to have radically changed. In the main, it is not the basic character of the problem but only its range and scope which has altered. And it may be useful to remind ourselves that its basic character was most happily stated by Plato in 'The Republic' well over two thousand years ago. Plato's solution—which was the breeding of a class of philosopher-kings—has not, indeed, been seriously tried, and possibly, in our scientific and democratic age when philosophers and kings are a little out of fashion, it would be difficult to attempt it without at least a change of words. But the task to be accomplished remains the same. It is the task of selecting and training individuals for the permanent service of the State.

Cover story

C.S. sizes up Charan, Janata

In an interview this week Mr C. Subramaniam, Finance minister in the period 1974-77 talked to the editor freely and frankly on the budgetary policies of his Janata successors. While his comments were singularly free from political partisanship, his sober appraisal of the demands of growth with stability was underlined by his genuine disappointment with the performance or the outlook of the present government. In his view, the imperatives of more production and more investment are being sadly ignored. More specifically, he charges the Finance minister with having adopted an easy way of *ad hocism.* In his view the claimed shift of resources to the rural economy is being played up, while there are no signs of a total view being taken of the investment requirements of an employment-oriented, anti-poverty economic strategy.

Q. *Mr Subramaniam, you certainly had a challenging tenure as Finance minister, for this portfolio went to you during a very difficult period in our recent economic history. You had to take not only hard fiscal decisions but also make bold macro-economic moves for steering the course of the economy away from a situation of double-digit inflation. It should therefore be interesting to have your views on the developments on the national economic scene, since March 1977, when the present government came to power, against the background of your own problems and performance as Finance minister.*

CS: The position when I was Finance minister (1974-77) was completely different from the state of the economy at the time the Janata party came to power. When I took over the Finance ministry, inflationary forces were at work with the utmost impact on the economy and this was not due to any situation peculiar to our nation but it was in the context of the total international situation when even the well-developed countries were in disarray. The international monetary system had completely collapsed and the whole world was struggling to find a formula to stabilize the global economy and also for each nation to stabilize its own economy. So, as Finance minister, I had to take various steps to contain the inflationary trends in the national economy in the context of the global state of affairs and consequently bring about a situation where conditions for economic growth would be brought into existence.

Very many hard decisions had to be taken for containing inflation. Monetary policies and the reoriented wage policies had to be tightened up and to the extent possible wasteful expenditure curtailed in the government. If you look at the decisions taken during that period, you would see that they totally reflected the needs of the situation that then existed. We were still at that time not out of the woods so far as the food situation was concerned. The foreign exchange position was fairly tight. However, as a result of the various decisions taken, inflation was not only contained but reversed in the year 1975-76 and the foreign exchange position started improving, mainly because of strict action against smuggling.

Two developments took place at that time—(a) the strengthening of the reversal of the inflationary trend and (b) the introduction of disincentives for illegal remittances from abroad. A very healthy result of this was that external remittances began to be routed through legal channels, which is still going on. Because of the developments that took place in the Middle East, we had the advantage of supplying services and equipment to the countries in that region. So these external remittances started increasing and therefore the foreign exchange position began improving continuously. Still we were not sure whether this was at least a semi-permanent trend or only a temporary phase. An excercise was made at

> *The high direct tax rates had become counter-productive. I planned to substitute income-tax with an expenditure tax in due course. Meanwhile, I cut the income-tax rates. This has been reversed now. I suspect that this is mere* ad hocism.

the end of 1976 and we came to the conclusion that this trend would continue for the next five to seven years.

The improvement in the food situation was also encouraging and for the first time we were able to build up a buffer stock of well over 15 million tonnes. Along with this we were also concerned with the growth factor and this was generally reflected in the allocations for the Plan as a whole and we considerably stepped up Plan expenditure for 1976-77 by 31 per cent over the previous year. But, then, an upward trend in the price situation began to emerge in 1976-77, mainly because of considerable fall in agricultural production due to adverse seasonal conditions and in that context an excessive increase in money supply. But still the price level by the end of 1976 was comparable to the price level which existed in 1974. Meanwhile the foreign exchange reserves had gone up to a level of three billion US dollars. This was one aspect of the situation which had to be reflected in my budgets. The other aspect was the fiscal policy to be followed in the then developing situation.

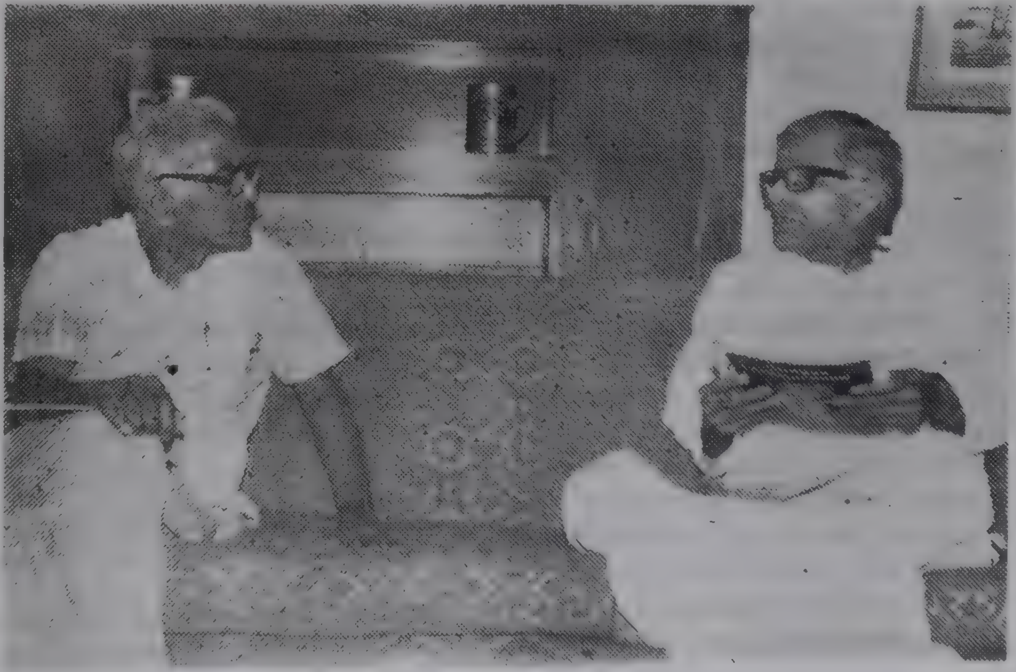
As Finance minister I had to take hard decisions for containing the inflationary spiral and creating conditions for economic growth.

As far as direct taxes were concerned, we came to the conclusion that we had a high level of taxation where the marginal rate of over 97 per cent had become counter-productive. Taking into account the wealth tax which had to be paid in many cases, the tax liability went up to more than one hundred per cent of current income in those circumstances. That was why my predecessor (Mr Y.B. Chavan), taking advantage of the Wanchoo committee report, brought the marginal rate down to 77 per cent. When I took over the Finance ministry, I had to think in terms of a long-term policy for direct taxes: (a) for individuals and (b) for the corporate sector. Among individuals also there are two distinct groups—one salaried and the other professionals of various categories including businessmen. Salaried persons cannot avoid tax because the liability is specific in their case, but it is a well-known fact that there is a good deal of avoidance of tax by the other groups. So we wanted to create an atmosphere in which there would be a greater tendency towards declaring the real income rather than taking to various shady methods to avoid taxation. We always thought that by tightening the taxation machinery this tax avoidance could be stopped but when dealing with the human system, we must allow for the possibility of counter-productive tendencies setting in; and, to a certain extent, corruption also creeps in.

Corporate sector could grow only if companies grow by building up their resources for further invesment. For this incentives are necessary.

So my judgment was that the marginal rate should be reasonable so that assessees would be more disposed to declare their real incomes. It was from this aspect that I brought down the marginal rate from 77 per cent to 66 per cent and when making that decision, I suggested in my budget speech that there would not be any shortfall in revenue. My idea was to introduce later on an expenditure tax not of the type where each item of expenditure was scrutinized to find out whether it was eligible or not, but by taking into account the assets of a particular individual at the beginning of the financial year and his net assets at the end of the financial year, in the light of the income during that year. It is for this long-term orientation that I was working in respect of direct taxes on individuals.

Now this policy has been reversed by both the Janata Finance ministers. Mr H.M. Patel increased the surcharge by five per cent and Mr



Charan Singh by another five per cent, thereby pushing up between them the marginal rate from 66 per cent to 72 per cent. Whether this reflects a considered policy decision to go back on the previous policies or is on an *ad hoc* basis, it is not possible to evaluate from the pronouncements of either of them. What is important is to have some certainty with regard to this approach to taxation. So long as that certainty is not there, it is likely to lead to abuses and unwholesome speculation.

As for the present budget, I am afraid the Finance minister had very little time for policy approaches. The decisions appear to have been taken in an *ad hoc* manner with regard to resource mobilization. So far as the taxation of the corporate sector is concerned, this must depend on a policy decision regarding the role of this sector in the economy as a whole. Once we have a mixed economy, in my view, the corporate sector has to play a crucial role in the economy, particularly in industry. At the same time we have got to bear in mind that the corporate sector cannot thrive unless companies grow and that growth can come about on the basis of resources being accumulated in the corporate sector with inducement for further investments in that area. Sometimes we get mixed up with regard to our policies because we want growth in the corporate sector and at the same time we want to limit unduly resource accumulation capacity in this sector. It is from this point of view that we have to look at the taxation of the corporate sector. Since much change has not been made in this budget on the taxation of the corporate sector, there is perhaps some recognition of the fact that the corporate sector has a prominent role to play in the economic development of the country.

Mr Charan Singh wants to show that he is different from Mr H. M. Patel. This is why he has gone back on some of the measures taken by the latter.

Q: *Independent of the concept of an expenditure tax as the ultimate goal, don't you think that the present Finance minister at the centre should have given a fair trial to the policy of lower income-tax rates as a means of building up the tax base as well as discouraging tax evasion?*

CS: The difficulty with the Janata government, to begin with, was their anxiety to demonstrate that they were changing the policies of the previous government and in many ways to show that they were very much against the higher income groups and if you look into the Finance minister's reply to the budget debate, this was one of the points he had made regarding taxation.

Q: *What could have made Mr Charan Singh go back on the decision relating to the taxation of capital gains taken earlier by Mr H.M. Patel? Has he done right?*

CS: Mr Charan Singh wanted to show he was different from Mr Patel.

Q: *Even then how do you explain the dilution of tax reliefs granted in respect of long-term savings such as LIC premia or PF contributions?*

CS: I don't think that the Finance minister had applied his mind to these problems and I still would like to see what he is going to do at the time of consideration of the Finance Bill.

The shift of resources to the rural economy through this budget is minimal. It has been exaggerated.

Q: *There is a feeling that the Jha committee report has been treated in an offhand manner. Do you share this view or would you agree with the contention that the need for additional revenue being what it is, this is not an opportune time for giving serious thought to any major tax reform which may result in a loss of revenue at least to start with?*

CS: In raising resources for the government over the years greater reliance has been continuously placed on indirect taxes and I tried to find out whether there is any rationale behind various changes in commodity taxation. I came to the conclusion that every time rates had been fixed on an *ad hoc* basis taking into account the immediate requirements in the budget, that there had been a good deal of irrationality in indirect taxation and that therefore it would be good to look into indirect taxes to rationalize their structure. The Jha committee had produced a very good report for the consideration of the government. It is not as if the committee had not taken into consideration the immediate revenue requirements. It is not only that Mr Charan Singh (and even Mr Patel) did not give any consideration to the Jha committee but he has indiscriminately increased the indirect taxes further.

I had to introduce excise duty on articles covered by item 68. Mr H.M. Patel raised the rate here by five per cent from my nominal one per cent and Mr Charan Singh has now taken it to eight per cent. In my view this is a short-sighted policy since this makes the indirect tax structure less and less rational. In my view, Mr H.M. Patel, who had a background of managing financial affairs, should have looked into the various recommendations of the Jha committee. It is unfortunate that this useful report has been completely ignored.

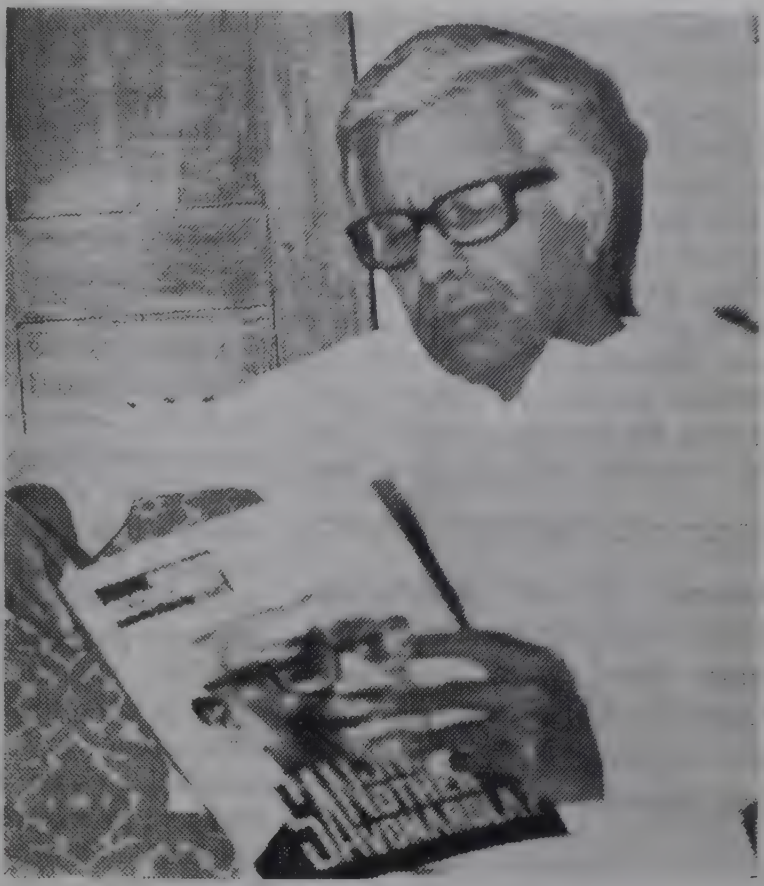
The Jha committee report was a valuable one. The Finance minister has been unwise in ignoring it.

Q: *Would you advocate the continuance of the scheme of excise tax concession on increased production? Mr Charan Singh has let this scheme lapse.*

CS: This requires a review. We gave this concession to industries where production had to be stepped up. Even now capacity utilization is not complete in many industries and there are shortages. The list of eligible industries could have been updated. This scheme could have been very effectively used for increasing production.

Q: *Looking at the agitation that has been going on, would you say that the additional taxation of petroleum products is unjustified?*

CS: I would not call it unjustified. Any Finance minister would have done the same, except that, as far as kerosene is concerned, it is a difficult case, because it is being used by the middle class and even the poor. For increasing the duty on kerosene, a hard decision has been taken, but there is room for debate as far as kerosene is concerned.



There are also some other controversial increases. The Finance minister seems to have a very subjective approach to what may be called 'elitist' consumption. Take, for instance, detergents, soap, toothpaste and toothbrush. These should be made available for more and more people. This should be the policy. What is important is to bring down the cost of such items and increase their production in order to make them available for all.

Q: *Would you say that there is an anti-urban bias in this on the part of Mr Charan Singh?*

CS: These articles are also being used in the rural areas by the middle class and the upper middle class. The less affluent should also start using these consumer goods.

The excise levies discriminate against production in organized industry. This is a risky policy. We should not plan for scarcities or a high-cost economy. The small-scale sector must be assisted by positive promotional programmes.

You see the point for consideration is how far the decentralised sector is in a position to produce more. Suppose the capacity is limited and you put a ban on the other sector, naturally prices shoot up, resulting in a high-cost economy. The needs of the decentralised economy are clouded in a good deal of misunderstanding. Merely to politicise the importance of the small-scale sector would not lead to its development unless you improve the infrastructure for its progress.

Q: *Do you feel that the Finance minister has made a beginning in shifting resources from the urban to the rural economy?*

CS: I am afraid too much has been claimed with regard to the shift of resources. In my view this is only marginal. What is important now is, on the whole, what is the sort of investment that would be taking place during the year taking into account the budget. As you know, we have not been investing even what we have been saving and that is why I pushed up Plan investment. Even then the investment rate has not been encouraging. More and more attention should have been given to this. More investment incentives should have been given.

If you consider this aspect, you find that only Plan expenditure has been increased, not investment in the total economy. We have reached a stage of investment lagging behind savings. Exercises must be undertaken to correct this situation. This is where I blame the government for its politicking on the eve of the budget. In shifting the Finance portfolio, the prime minister had not just been changing horses in mid-stream, but had caught hold of a bullock which is a different kind of animal altogether. I am not degrading the bullock; only it cannot be harnessed to a horse carriage. Hence this unfortunate situation of political compulsions dominating economic policies.

Investment is not picking up enough. It is lagging even behind savings. Mr Charan Singh does not seem to appreciate this. The prime minister, I am afraid, has bought himself a bullock.

Q: *Right now there is a controversy about the impact of the budget on prices. The wholesale price index no doubt is going up. But, surely, the tax decisions as such do not have much to do with this. For the last two years, apart from this budget, the economic policies have been pushing the country towards stagflation. What is your view?*

CS: The budget should have taken into account the situation that has been developing. This has not been done while increasing some of the excise duties. Moreover, once you have these taxes, the producers and traders take advantage of them to push up prices. The Finance minister should have taken into account the existing situation and the inflationary potential that is already there. You are not to add fuel to that fire.

The problem is that you create an inflationary atmosphere and then take decisions in the budget which add to the inflationary trend. The Finance minister's job, surely, is to set right imbalances in the economy. The emphasis should be on the total situation. Otherwise, your calculations are bound to go wrong. For example, take the discriminatory taxes on production in different sectors. This is due to the budget policy. It is not so much the excise taxes but the scarcities which may result from this discrimination which could be pushing up prices. Take matches. Can factory production be replaced completely by the decentralised sector in the short period at reasonable levels of quality or price? Stepping up the production of essential commodities in all the sectors is the only prudent approach. Production should not suffer because of fiscal policy. Our objective must be to promote the full utilisation of existing capacity and step up investment and link it to increasing rates of savings. Otherwise, we cannot do much about poverty or unemployment.

Q: *How many marks then would you give to the present Finance minister for his awareness of this fact of our economic life?*

CS: You should not ask an ex-Finance minister this question. You should put it to an impartial person. After all, my assessment could be subjective.

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Ordeal by waiting

Soli Sorabji

Fiftyfive per cent of the jail population in our country consists of undertrials. This is because of enormously defective bail system which discriminates between the rich who can afford to furnish the bail and the poor who cannot. The author who is Additional Solicitor General stresses that in appropriate cases undertrial prisoners could be released without sureties and monetary obligations. He urges that relentless efforts should be made to eliminate delays in investigation of cases. This piece was earlier broadcast over All India Radio in its Spotlight programme.

WE RECENTLY celebrated the thirtieth anniversary of the Universal Declaration of Human Rights and passed rhetorical resolutions confirming our deep commitment to human rights and basic freedoms. We get rightly agitated and demonstrate our protest when there is an affront to individual dignity as in the case of virginity tests carried out on immigrant women in the United Kingdom.

Surprisingly, there is hardly any comparable protest or sense of outrage at the flagrant and continual denial of human rights of hundreds of persons who are daily rotting in the dark cells of our prisons impatiently awaiting their trial for suspected offences, which ultimately they may be found not to have committed at all.

These unfortunates are described as undertrials. As on April 1, 1977, undertrials constituted 55 per cent of the total jail population in India. It is hardly any consolation that in 1970 in the USA 52 per cent of the jail inmates were awaiting trial.

Somehow, no one has bothered to take out a morcha or hold demonstrations to highlight the tragic plight of these forgotten specimens of humanity.

Why has public conscience not been sufficiently aroused ? One of the main reasons is that prisoners lack political power. They have no political lobby and nobody has fewer votes than a prisoner. Prisoners as a class are generally shunned by society.

The public is increasingly alarmed about crime and the majority of suspected criminals come from socio-economic groups which are weak and backward. The well established legal principle that everyone is presumed innocent unless he is found guilty does not prevent a certain stigma from attaching to a person who is jailed pending his trial.

His friends and neighbours, and at times even his family members, are embarrassed to talk about him. If the prisoner happens to be a woman, the embarrassment is greater. Her name is not to be mentioned. In course of time he or she is conveniently forgotten and eventually becomes a non-person.

One may well ask whether the constitution and the law permits this state of affairs. Under the constitution every person who is arrested must be produced before a magistrate within 24 hours of the arrest. This is a guaranteed fundamental right. Thereafter the magistrate can remand an accused into custody for a period not exceeding 15 days.

However, if the magistrate is satisfied that there are adequate grounds, the period of detention in custody may be further extended to 90 days in case of serious offences, or for a period of 60 days in the case of other offences.

After the expiry of the period of 90 days or 60 days as the case may be the Criminal Procedure Code provides that the accused shall be released on bail if he is prepared to and does furnish bail. Again, if, in the case of an offence triable by a magistrate, the trial of a person accused of any non-bailable offence is not concluded within 60 days, the magistrate must release the accused on bail.

the rub

Now here lies the rub. The present bail system is enormously unsatisfactory. It suffers from a property-oriented approach. The Legal Aid Committee appointed by the government of Gujarat under the chairmanship of Justice Bhagwati, who was the then chief justice of the Gujarat High Court produced, as far back as in 1971, a report which is outstanding for its thoroughness and foresight.

The committee pointed out that the bail system and the courts by ignoring the differential capacity of the rich and the poor to furnish bail and treating them equally produce inequality between the rich and the poor : the rich who is charged with the same offence in the same circumstances is able to secure his re-

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lease while the poor is unable to do so on account of his poverty.

In other words the rich man can afford to buy his freedom whereas the poor man cannot pay the price, and he remains in jail not because he is guilty, not because he is more likely to flee from justice than his rich counterpart, but simply and plainly because he is poor and is unable to secure his release before trial by providing sufficient financial guarantee for his appearance.

There is no single or simple solution to the problem. However, parliament could take a significant step in the right direction by enacting a provision which enables the release, in appropriate cases, of an undertrial prisoner on his bond without sureties and without any monetary obligation. It must be realised that the risk of financial loss is not the only deterrent against the accused fleeing from justice but there are other considerations such as his family ties and relationship, roots in the community, job security and so on.

delays in investigation

Next, relentless efforts must be made to eliminate the inordinate delay which takes place in the investigation of cases, with the result that the arrested persons who are remitted to judicial custody have to be kept in jail as undertrial prisoners. It must be pointed out that the delay in the investigation of cases takes place because quite often the police officials concerned with the investigation have to be deputed on other duties relating to problems of law and order.

Further, subordinate judiciary must be strengthened both in point of number, and more important, in point of its efficiency. To clear the heavy backlog, services of retired judicial officers known for their integrity, and quick disposal should be utilised, the appointment being made only on the recommendation of the high court. Incidentally, talking of efficiency, it will be an utopian dream unless the deplorable service conditions of the subordinate judiciary are tangibly improved.

At the beginning of the 18th century, a law was passed in Scotland that once a man was committed in custody for trial, the trial had to be completed within 110 days, otherwise he walked out as a free man. That law is strictly enforced to the present day.

There is no reason why we should not think on similar lines in our country. The Scottish provision may be modified, and it can be provided that in no case will an undertrial be detained beyond the maximum period for which he can be imprisoned under the law.

personal bond

Another suggestion is that an undertrial, other than one accused of a capital offence, may be released on his personal bond if he has been in detention for say 1/3rd or 1/4th of the maximum period for which he could be imprisoned for the offence. The courts may be empowered not to release the undertrial or to require bail instead of personal bond for adequate reasons in appropriate cases.

Some cynic has quipped that lawyers are two generations behind and judges are three generations behind their times. The recent performance of our Supreme Court should silence these cynics. Over the last year and a half the Supreme Court has displayed commendable judicial creativity and effectively secured to prisoners and undertrials many rights which were not available to them except in theory.

In a recent landmark judgement in the case of Madhav Hoskot, the Supreme Court ruled that "where the prisoner is disabled from engaging a lawyer on reasonable grounds such as indigence or incommunicado situation the court shall, if the ends of justice so require, assign competent counsel for the prisoner's defence, provided the party does not object to that lawyer and the state which set in motion the process which deprived him of his liberty shall pay to the assigned counsel such sum as the court may equitably fix".

In another landmark judgement in the case of Sunil Batra and Charles Sobhraj dealing with conditions in jail, the Supreme Court, speaking through Justice Krishna Iyer, concluded that "bar fetters are a barbarity generally and, like whipping, must vanish".

A further instance of judicial activism are the recent orders of the Supreme Court passed on February 12 and 26, 1979 in the case of undertrials in Bihar.

The circumstances in which these orders were passed are quite interesting. Mr Rustumji, the chairman of the Police Commission, wrote two articles in the issues of the *Indian Express*, which appeared on January 8 and 9 this year, in which he pointed out the plight of the undertrials in the state of Bihar, some of whom were in jail for as many as 5, 7 or 9 years and a few of them, even for more than 10 years, without their trials having begun.

A public spirited lawyer, Mrs Kapila Hingorani, filed a habeas corpus petition in the Supreme Court on behalf of these undertrials. Within a few days the Supreme Court passed orders on February 12, 1979 and made judicial history. It directed that the undertrial prisoners whose names were given in the two issues of the *Indian Express* should be released forthwith on their personal bond.

Supreme Court observation

The Supreme Court observed that ordinarily it would have provided that personal bond to be executed by them should be with monetary obligation, but as an exceptional measure it directed that there need be no monetary obligation in the personal bond because these persons had been in jail without trial for several years, and in some cases for offences for which the punishment would in all probability be less than the period of their detention.

The matter came up again on February 26. It transpired from the counter affidavit made by the Assistant Inspector General of Prisons, Bihar, that there were quite a few women prisoners who were in jail without even being accused of any offence, merely because they happened to be victims of an offence, or they were required for the purpose of giving evidence or they were in 'protective custody'.

As the Supreme Court rightly pointed out the expression 'protective custody' is a euphemism calculated to disguise what is really and in truth nothing but imprisonment.

The Supreme Court surpassed its previous performance and issued a direction to the state of Bihar that all women and children who are in jails in the state of Bihar under 'protective custody' or who are in jail because their presence is required for giving evidence or who are victims of an offence, should be released and taken forthwith to welfare homes or rescue homes and should be kept there and properly looked after.

Some critics say that the courts have taken over the administration of prisons and are assuming the role of super administrators. These critics forget the judicial activism by courts in this field has been the result either of complete inaction or reluctance to respond to gross deprivation of fundamental rights of prisoners by prison officials, legislators and members of the executive.

There is after all, a special judicial obligation to protect the rights of prisoners many of whom languish in jail for no better reason than the fact that judges do not have the time to dispose of these cases expeditiously. The magistrates and judges would do well to remember that everyday's adjournment in the case of an undertrial who is not on bail means continuing the torture and degradation to which the prisoner is subjected.

In criminal matters there should be no adjournment as a general rule and especially not on the ground of convenience of lawyers. Judges must be strict in these matters even if that makes them unpopular with the bar.

The vital role of the press in this field cannot be over-emphasised. If a tenth of the publicity which is given to the bickerings and infighting among leaders of the ruling party is given to the open and continual violation of human rights of the undertrials, the press would indeed render a distinctive service. What is required is publicity not sporadic but sustained. The press must assume the role of a nagging spouse.

The real strength of our constitutional guarantees can be measured by the protection they afford to our weakest members. By denying them to some, they may cease to have any meaning for us all.

Bihar resorts to cost-push taxation

R. J. Venkateswaran

Bihar Finance minister's claim that the new tax measures will have a negligible impact on the common man is untenable, says the author. In fact their cumulative effect will push up the cost of production and ultimately the prices of all consumer goods.

BIHAR'S BUDGET for 1979-80 is notable for its efforts to mobilise resources by resorting to additional taxation of about Rs 13.25 crores. The major tax proposal is the increase in the electricity tariff to yield Rs 11.29 crores, the others being revision of sales tax rates, enhancement of the cess on the royalty on minerals from 60 per cent to 80 per cent, and the hike in the stamp duty, registration fee and the municipal surcharge. The budget for 1978-79 had envisaged a revenue surplus of Rs 100.7 crores but the revised estimate is only Rs 87.76 crores. On capital account there has been a decline in the deficit from the original estimate of Rs 106.57 crores to Rs 95.93 crores. On both the accounts, there has been a small increase in the net deficit from Rs 5.80 crores to Rs 8.23 crores. The budget for 1979-80 has forecast revenue receipts at Rs 782.08 crores and revenue expenditure at Rs 654.58 crores, resulting in a surplus of Rs 127.50 crores. On the capital account, receipts and expenditure have been placed at Rs 269.86 crores and Rs 443.48 crores respectively with a deficit of Rs 173.62 crores.

The Finance minister, Mr Kailashpati Mishra, has claimed that the new tax measures have been so chosen as to have a negligible impact on the common man. But, in fact, their cumulative effect will be to push up the costs of production and ultimately the prices of all essential goods. For instance, the increase in the electricity tariff will certainly affect a wide range of industries. The existing tariff was already one of the highest in the country and yet the Bihar State Electricity Board has not been able to improve its viability. Industrial associations in the state in recent months had drawn the attention of the authorities concerned to the intense hardship arising from extensive and unscheduled load shedding. They had urged the state government that the tariff should be rationalised by improving the efficiency of the plants, by proper maintenance, and by reduction in transmission losses. But the government has found it easier to obtain more funds for the board by raising the tariff. This is indeed unfortunate because the higher costs of electricity will have widespread repercussions on the working of the existing industries and the growth of new ones.

The percentage of energy losses in transmission and distribution of the Bihar State Electricity Board in 1976-77 was the highest in the country, being officially estimated at 25.83 per cent. Although this was lower as compared to 29.33 per cent in 1974-75, the figure for 1976-77 was still too high. What steps are being taken to reduce these losses? The outstanding arrears to be collected by the Bihar state Electricity Board from the consumers amounted to Rs 23.2 crores as on March 31, 1976. Considering the recent prolonged strike by the employees of the board, these arrears at present are probably at a higher level. The state government should therefore vigorously tone up the board's administration so that the industrial and other consumers are able to get their requirements of power adequately and at reasonable rates. The cost of coal is also expected to go up as a result of the enhancement of the cess on royalty on minerals by 20 per cent.

Bihar's annual plan outlay in 1979-80 has been fixed at Rs 356.85 crores. But the total outlay will be of the order of Rs 426 crores after taking into account the amount available to the state from its share of funds set apart for the centrally sponsored schemes. The Finance minister has said that over 72 per cent of the plan outlay will be spent on agriculture, cooperation, irrigation and power. But how far will the government be able to utilise fully all the money earmarked for the plan? In the past, the actual expenditure on the plan was much below the allocation. In 1977-78, for example, the outlay was Rs 300 crores but the expenditure was Rs 265 crores. For 1978-79, the plan outlay was fixed at Rs 384 crores but subsequently it was reduced to Rs 323.96 crores because of the state's inability to raise adequate resources. It is reported that the government could not spend even this amount effectively and there has been a substantial shortfall in the utilisation of plan funds.

Mr Charan Singh, the central Finance minister, recently addressed a letter to the chief ministers of all states urging them to take necessary steps to ensure the effective implementation of the sixth five-year Plan. He suggested that the surpluses of the state governments should be husbanded with care and ploughed back for development purposes and that non-plan expenditure should be held in check. He particularly stressed on the urgency to improve the financial, administrative and organisational performance of the electricity boards, commercial irrigation schemes and public sector undertakings. He wanted them to prepare "a time-bound plan of action" to cut down the existing losses and avoid wastefull expenditure. The central Finance minister's advice needs to be heeded by all state governments but it has a special relevance in Bihar where financial discipline does not seem to be conspicuous.

A cabinet crisis in Bihar was recently provoked by the disclosure that the government had diverted a sum of Rs 12 crores from the Irrigation department. The Irrigation minister, Mr Schidananada Sinha, explained that there was nothing unusual about this diversion and that such instances had occurred in the past and also in other departments. All these surely indicate slackness in financial administration which a state like Bihar cannot afford. Bihar's expenditure on administrative services is estimated to have increased from Rs 55.74 crores in 1975-76 to Rs 74.37 crores in 1978-79. But administrative efficiency is yet to show any significant improvement. This is hardly surprising when the Bihar cabinet is not able to work as a disciplined team. It is hoped, however, that Mr Thakur's ministry will learn from past mistakes and will function more effectively so that the budget has a favourable impact on the state's economy and on the living standards of the people.

Assam : tea takes the brunt

A Special Correspondent

The author is critical of the increase in the agricultural income tax, which will have adverse effect on the viability of the tea industry, an important component of the state's economy.

AN IMPORTANT feature of Assam's budget for 1979-80 relates to the enhancement of the rates of the agricultural income tax. In the case of every company the total income of which does not exceed Rs 100,000, on the whole of the total income the tax has been raised from 52 paise in 1978-79 to 60 paise; on income which exceeds Rs 100,000 but not Rs 200,000 from 65 paise to 70 paise, and on income exceeding Rs 200,000 from 70 paise to 75 paise. It is worth recalling that in 1963 the agricultural income tax was levied only at the rates of 45 paise, 55 paise and 57 paise, respectively, on the three categories of companies referred to above. The Assam government was, of course, justified in asking the tea industry to pay more taxes in view of the period of prosperity through which it had been passing in recent years. But the conditions have changed and there is at present an imperative need for the tea industry to generate more resources in order to achieve the production target of 1300 million kgs per year by the of end of the century. The government of India's decision to abolish the export duty on tea and to withdraw the ceilingon export is a clear indication of its awareness of the importance of improving the viability of the industry. In this background, Assam's action in inraising the agricultural income tax has come as a great disappointment to the industry which plays a major role in the state's economy.

In a communication to the Assam Finance minister, Mr Keshab Chandra Gogoi, the President of the Tea Association of India, Mr N. L. Tantia, said that the tea industry of Assam had been "greatly dismayed by the state government's decision to enhance the state agricultural income tax rates to all-time high". He observed that the state government had already steeply raised these rates in 1977 and the further increase would be a severe set-back to the development of the tea industry which provided the largest employment in the state. He pointed that the industry was facing serious difficulties due to the steep decline in the average unit price realisation and also because of the record accumulation of over 110 million kgs of unsold. tea.

The total rate of tax on a rupee tea company in Assam whose total income is above Rs 2 lakhs now works out to 68.66 per cent compared to only 59.15 per cent on companies producing other items such as cotton textiles, jute and engineering goods. The tea industry has urged the state government to review its tax policy but it seems unlikely that the government will consider it favourably at least in the near future. However, the government should see to it that the industry is not handicapped in other ways as, for example, by inadequate and erratic supply of power and labour indiscipline. In some tea estates, absenteeism is said to be even as high as sixty per cent. The state government should look into these aspects and also ensure timely and sufficient supply of coal, fertilisers, pesticides and other inputs so that the adverse impact of the higher taxation can be minimised to some extent.

The budget has given some relief to the middle and the lower income groups. The minimum exemption limit for the payment of professional tax has been raised from Rs 4000 to Rs 8000 per annum. Exemption from the payment of sales tax has been given to traders and businessmen with a turn-over up to Rs 20,000. In the case of agricultural income tax also, the limit of exemption has been increased from Rs 8000 to Rs 10,000 on the annual income.

The budget has estimated the revenue receipts and expenditure at Rs 271.13 crores and Rs 277.49 crores respectively with a deficit of Rs 6.36 crores. Receipts and expenditure outside the revenue account have been estimated at Rs 460.98 crores and Rs 476.72 crores, respectively, resulting in a deficit of Rs 15.74 crores. The combined deficit is Rs 22.10 crores.

Assam's own tax revenue is estimated to have increased from Rs 5933 lakhs in 1975-76 to Rs 7065 lakhs in 1978-79 (budget estimate). The revenue from agricultural income tax has gone up from Rs 1294 lakhs in 1975-76 to Rs 1955 lakhs, profession tax from Rs 54 lakhs to Rs 70 lakhs, and taxes on commodities and services from Rs 3639 lakhs to Rs 4456 lakhs. Assam's share in central taxes is estimated to have increased from Rs 4155 lakhs in 1975-76 to Rs 5023 lakhs in 1978-79.

The government of Assam has expressed its disappointment with the award of the seventh Finance Commission. The fact that the assembly unanimously adopted a resolution last winter to this effect gives some idea of the intensity of the state's reaction. The Finance minister, Mr Gogoi, told the assembly that the government would approach New Delhi to sanction an *ad hoc* increase in the royalty on crude oil to enable the state to find more resources for implementing the sixth five-year Plan. It was pointed out that Assam would get during the five years, 1979-80 to 1983-84, only Rs 518.65 crores compared to Rs 489.34 crores received between 1974-75 and 1978-79 under the award of ths sixth Finance Commission. The government of India should sympathetically consider Assam's plea for the transfer of more resources.

Meanwhile, the state government should try to stimulate the growth of its economy and also improve the efficiency of administration at every level. The state's expenditure on administrative services is estimated to have increased from Rs 2444 lakhs in 1975-76 to Rs 3299 lakhs in 1978-79, according to the budget estimates. The expenditure on district administration in this period went up from Rs 140 lakhs to Rs 212 lakhs, on police from Rs 1719 lakhs to Rs 2046 lakhs, on public works from Rs 92 lakhs to Rs 344 lakhs, on secretariat general services from Rs 124 lakhs to Rs 160 lakhs, and on other administrative services from Rs 369 lakhs to Rs 537 lakhs. This rising trend is more or less in conformity with the pattern in many other states. Even so, the government should take special care to ensure that the resources are put to the best use. For instance, what steps are being taken to tone up the working of the state electricity board ? The power situation is reported to have deteriorated recently because of the poor rainfall and the breakdown of the captive unit of the Bongaigaon Refinery and Petrochemicals Ltd. The state electricity board has appealed to consumers to reduce the power consumption and avoid wastage. The board also should take effective steps to reduce the large losses that are taking place in transmission and distribution. The percentage of energy losses in Assam (including Meghalaya and Mizoram) declined from 18.22. in 1974-75 to 16.50 in 1975-76 but increased to 20.19 in 1976-77.

Analysing gross profit variations

Sugan Chand Jain

The author who is lecturer, department of Accountancy, Lal Bahadur Shastri College, Jaipur, has prepared a model statement of index numbers and factors in gross profit variation which he believes can help analyse gross profit variation and determine the reasons for changes in sales and gross profits in terms of volume, price, cost, etc.

ONE OF the most effective management tools, and one of the least used, is index numbers which can be used in the analysis of gross profit variation and in determining the reasons for changes in sales and gross profits in terms of volume, price and cost. As used in this connection an index number is a percentage relationship which indicates what percentage the current volume, price and cost is of the corresponding data in a previous period. These relationships may be computed for commodities, commodity groups, sales areas, or for larger units, such as an entire company.

The comparison may be expressed in terms of the relationship of the current period to the same period of last year or to any other period accepted as a base period. A comparison of the current month with the preceding month is often useful as a means of securing a picture of current trends.

A volume index (regardless of homogeneity of units in which sold) can be secured by computing current period sales at base-period prices and relating the result to base-period sales. A price index can be secured by comparing current-period sales with what they would have been at base-period unit prices. A cost index can be secured by comparing current-period cost of sales with what it would have been at base period unit costs.

To illustrate the principles involved, let us assume that a comparison of a company's July and August profit-and-loss statements shows the following:

			Increased	
	July	August	Amount	%
	(in Rupees)			
Net sales	1,00,000	1,20,000	20,000	20
Cost of sales	70,000	87,000	17,000	24
Gross profit	30,000	33,000	3,000	10

Let us further assume that the management has asked for a determination of what the effect of changes in volume, selling prices, and cost was to cause only 10 per cent increase in gross profit with a 20 per cent increase in sales. The company sells three products, A, B and C. July and

August sales were as per given in Table I.

(A) Computation of Volume Index.

August sales at July prices:

A-1,756 units @ Rs 10.101	Rs 17,737
B-7,541 units @ 8.780	Rs 66,210
C-5,211 units @ 7.630	Rs 39,760
Total	Rs 123,707

Actual July sales	Rs 100,000

Volume index for August, based on July:

$$\frac{123{,}707}{100{,}000} = 123.7$$

Increase in gross profit due to volume:

July gross profit	Rs 30,000
Volume increase	23.7%
Rs 30,000 × 23.7% equals	Rs 7,112

(B) Computation of Price Index:

August sales at July prices	Rs 123,707
Actual August sales	Rs 120,000
Decrease in gross profit due to price	Rs 3,707

Price index for August, based on July:

$$\frac{120{,}000}{123{,}707} = 97.0$$

(C) Computation of Cost Index:

August sales at July costs:

A-1,756 units @ Rs 6.061	Rs 10,643
B-7,541 units @ Rs 5.795	Rs 43,700
C-5,211 units @ 6.358	Rs 33,132
Total	Rs 87,475
Actual August cost of sales:	Rs 87,000
Increase in gross profit due to cost	Rs 475

Cost Index for August, based on July

$$\frac{87{,}000}{87{,}475} = 99.5$$

Here, an increase of Rs 3,880 in gross profit has been accounted for as follows:

Increased Volume (Up 23.7%)	Rs 7,112
Reduced prices (down 3.0%)	(Rs 3,707)
Reduced costs (down 0.5%)	Rs 475
Gross profit variation accounted for	Rs 3,883
Gross profit variation not accounted for	(Rs 880)

Total gross profit variation
(Rs 33,000—Rs 30,000) = Rs 3,000

The gross-profit variation of Rs 880 not yet accounted for is due entirely to the fact that the makeup of the group was different in August from July, i.e. the increased volume was gained in the lower-profit commodities. Although the difference between the total variation and the sum of the volume, price and cost variations can be accepted as the product variation, it is possible to prove statistically the product variation as indicated in the Table II.

In sum therefore, the answer to the management's request for an analysis of the factors responsible for the 20 per cent increase in sales with only a 10 per cent increase in gross profit would be as follows:

	Index for August based on July	Effect on gross-profit increase /decrease
Favourable Factors		
Volume	123.7	Rs 7,112
Costs	99.5	Rs 475
		Rs 7,587
Unfavourable Factors		
Prices	07.0	Rs (3,707)
Product variations		(Rs 880)
Total variation in gross-profit		Rs (3,000)

A further analysis, by commodities, of

TABLE I

Comparative Statement

		Net sales in Rs		Cost of sales in Rs		Gross profit in Rs		
Product	Units sold (numbers)	Amount	Unit price	Amount	Unit cost	Amount	Per unit	Sales %
July								
A	1,980	20,000	10.101	12,000	6,061	8,000	4.040	40.0
B	5,695	50,000	8.780	33,000	5.795	17,000	2.985	34.0
C	3,932	30,000	7.630	25,000	6.358	5,000	1.272	16.7
		100,000		70,000		30,000		30.0
August								
A	1,756	18,000	10,251	9,000	5.125	9,000	5.126	50.0
B	7,541	65,000	8,620	48,000	6.365	17,000	2.255	26.2
C	5,211	37,000	7,100	30,000	5.757	7,000	1.343	18.9
		120,000		87,000		33,000		27.5

the factors responsible for the variation in gross profit shows even more clearly the complete picture (see Table III).

In the statement in Table III the index numbers for each commodity are obtained by dividing August quantities, unit prices and unit costs, by the comparable data for July. Price and cost variations are represented by the difference between actual August sales and costs and what they would have been at July unit prices and unit costs. Volume and product variations for individual commodities are the difference between the total gross-profit variations and the sum of the price and cost variations; since volume and product variations are interrelated, only a separation of the total into volume and product variation is of any significance.

The extent to which the basic concept contained in this presentation may be carried is endless. In the case of large companies with many commodities mills, sales areas, or other groups for which this type of imformation is desired, and possessing tabulating equipment, virtually all of the computations, can be performed mechanically with the aid of equipment that will multiply and divide. For others, the extra manual work involved in making the necessary computations should still pay big dividends.

A statement of this nature affords a means of control which is simple to understand, informative, capable of precise measurement, and useful as a means of summarising the facts affecting one of the most important things that management must control—gross profit.

TABLE II

Product Variation

A	B	C	D	E	F	G	H	I
	July sales		Sales @ July prices distributed as in July					
Product	Amount Rs	% total	Amount Rs	% total	August sales at July price (Rs)	Col. F minus col. D (Rs)	July gross profit rate	Product variation (Rs)
A	20,000	20	24,741	20	17,736	(7,005)	40.00	(2.802)
B	50,000	50	61,853	50	66,210	4,357	34.0	1,481
C	30,000	30	37,112	30	39,760	2,648	16.7	441
	100,000	100	123,706	100	123,706			(800)

TABLE III

Statement of Index Numbers and Factors in Gross-Profit Variation

(August compared with July)

Index numbers				Factors in gross-profit variations (in Rs)			
Volume	Price	Cost	Commodity	Volume and profit variation	Price variation	Cost variation	Gross-profit variation
88.7	101.5	84.7	A	(906)	262	1,643	1,000
132.4	98.2	110.0	B	5,510	(1,210)	(4,300)	—
132.5	93.1	90.6	C	1,628	(2,760)	3,132	2,000
123.7	97.0	99.5	Total	6,232	(3,707)	475	3,000
			Product variation in Total	(880)			
			Volume variation in Total	7,112			

The minister of state for Planning, Mr Fazlur Rahman, is in the news. He seems to have fallen foul of the prime minister thanks to the strong phrases he reportedly employed to express his even stronger feelings about what he considered to be the inept handling of the Jamshedpur riot situation by the Home minister at the centre. Love me, love my dog. But there is surely more to it than this. Mr Morarji Desai may have a protective attitude towards Mr H.M. Patel, but, this apart, it is surely not right that a minister, especially a junior minister, should denounce more or less publicly a member of the cabinet. Even politicians of more consequence than the minister of state for Planning have found it to their cost that they cannot let their tongues run away with them. Mr Raj Narain thought that he was above this law, but he has had to learn differently. Even Mr Charan Singh has had to pay a price.

The fact is government becomes impossible when the golden rule is not observed that those of its members who happen to have reservations on its functioning should resign from it before denouncing it or even expressing strong disapproval of the functioning of any of their colleagues. It is only the prime minister who has the right to criticize other ministers. The reason is simple. The prime minister at all times decides who work with him and how. If he cannot do this, he should not be the prime minister.

It is, however, quite natural that Mr Fazlur Rahman should have been distressed by the failure of the administration to cope with the communal rioting that broke out in Jamshedpur, but to say, as he allegedly did, that "god alone can save the country if we have a Home minister like him (Mr H.M. Patel)", is not fair to god because god is not supposed to do Mr Patel's job for him. It is not fair to Mr Patel either because there is nothing to suggest that he chooses to be more dependant on god than most of those who happen to believe in god, whether always or only occasionally.

In any case, if anybody could save the country, it is neither god nor any individual politician, including Mr H.M. Patel and Mr Fazlur Rahman. However, politicians collectively can certainly do something about saving the country, if only by desisting from conduct or activities which may necessitate any rescue operation at all. If Jamshedpur has proved anything, it is that communal coexistence is not a law and order problem. It is, as it always was, a political problem. For some time now the Congress(I), thanks to the lead given by Mrs Indira Gandhi personally, has been playing with the fire of divisive politics based on the exploitation of communal or caste distrust and clashes. The scheduled castes and Muslims are being indoctrinated or encouraged to believe that they must expect only oppression under Janata rule and that, in fact, their rights as citizens of this country are endangered or have even become worthless. Instead of seeing through this despicable game, the ruling party is foolishly borrowing these communal and caste weapons to fight out its own internal battles. With the Congress having ceased to be the dominant force both in national politics and state-level politics in most parts of the country, the BLD faction in the Janata party has obviously resolved to fight it out with the Jana Sangh faction, the stakes being political supremacy in the Hindi-speaking states. This rather than any genuine mistrust of the RSS among the truly secular elements in the Janata party seems to be the motive power for the attempt that is now being made to isolate and crush the Jana Sangh faction.

Geographically Jamshedpur may be quite some distance from New Delhi, but the communal rioting that took place there was certainly not an affair merely of local provocations. The disturbed state of national politics and the turbulent currents in state-level politics—the situation in Bihar being quite notorious in this respect—are surely to blame for an atmosphere which places a premium on communal or other sectional disturbances. Political leaders and factions have done enough damage to the country by stirring up dark passions in the nation in furtherance of their personal or group ambitions. Unless they are prepared to recognize their responsibility to public welfare and lay down the dirty weapons they have been using in their power struggles, the police or even the army will not be able to protect lives or maintain peace in the country as more and more Jamshedpurs break out with increasing virulence.

The LIC has been running an advertisement explaining why it is necessary in certain cases to take to a court of law claims made on the death of policy-holders. Its contention is that, if, at the time of taking out the policy, the person concerned does not give a full and true account of the medical history of his family and himself, he must be held to have suppressed information relevant or even vital to the determination of his eligibility to have his life insured on the terms and conditions of the proposal. I may be prepared to buy this argument if it is not so commonly the case that the proposal form is filled by the LIC agent or development officer, who is more often than not an active party to the suppression of unfavourable medical data and who in fact frequently prevails upon the policy-holder not to be too truthful or conscientious. Again, it is a notorious fact that the medical examiners on the LIC approved list merrily make themselves privy to the suppression if inconvenient health history or data and quite a number of them even go to the extent of manipulating the findings of the medical examinations carried out by them. When this is the actuality it is ridiculous for the LIC to strike up a pose of virtue.

VB

MOVING FINGER

TRADE WINDS

Coal Output Plan for 1979-80

A TOTAL production programme of 117.89 million tonnes of coal has been drawn up for 1979-80. According to the annual report for 1978-79 of the department of Coal, ministry of Energy, investment in the public sector coal companies is of the order of Rs 297.81 crores in 1979-80 as against Rs 234.31 crores provided during 1978-79. Out of this Rs 274.31 crores have been provided for Coal India Limited and its subsidiaries.

According to the estimates drawn up by the working group on coal and lignite, the production of coal will rise to 133.65 million tonnes against the demand of 131.34 million tonnes in 1980-81 and touch a figure of 153 million tonnes in 1982-83 against the anticipated demand of 150.50 million tonnes.

During 1978-79, 14 projects were sanctioned by the government up to December 1978. These will contribute towards an additional output of 26.57 million tonnes per year at an estimated cost of Rs 319.49 crores. Twenty more projects would have been sanctioned by the end of March 1979 involving a capital outlay of Rs 179 crores for the targetted production of 17.26 million tonnes. Besides, Coal India Limited and its subsidiaries have sanctioned a number of projects. The coal production in 1978-79 is slightly higher than that in the preivous year. The output in the first 11 months, April 1978 to February 1979, was 90.76 million tonnes as aginst 90.64 million tonnes during the corresponding period of 1977-78.

Rourkela Output

Rourkela Steel Plant during the financial year 1978-79 produced 1.04 million tonnes of saleable steel thus attaining 89 per cent of the annual production target. The ingot steel production during the year was 1.32 million tonnes which registered a target fulfilment of over 85 per cent. The year 1978-79 was the third best year since inception in respect of steel plant production. The fact that high production trend could be maintained despite acute coking coal shortage, faced by the entire steel industry, speaks volumes about the dedicated efforts of the Rourkela workforce. Rourkela Steel Plant, the only steel plant in the country with a captive fertilizer plant, produced 276,306 tonnes of CAN fertilizer and achieved a target fulfilment of 83.3 per cent. New annual records were created in producing 151,391 tonnes of galvanised sheets, 61,481 tonnes of corrugated sheets, 27,031 tonnes of electrical sheets, 41,852 tonnes of spiral weld pipes and 207,461 tonnes of granulated slag.

In the month of March, 1979, Rourkela Steel Plant produced 7713 tonnes of electrolytic tin plates thus creating a new monthly production record, surpassing the previous best achieved in the earlier month of February, 1979. The spiral weld pipe plant, manufacturing large diameter pipes to meet the requirement of Indian Oil Corporation for their Mathura-Salaya pipeline, also created a new monthly production record. Production of electrical steel sheets, the much needed raw material for the electrical industry, was also the highest in the month of March, 1979. The Spiral Weld Pipe Plant of Rourkela has been maintaining high quality standards and the performance in the production of API quality pipes matched the international standards.

Joint Venture

Working jointly on the production of stainless steel clad mild steel plates, Rourkela Steel Plant and IDL Chemicals Limited, Hyderabad, have successfully developed the process which would soon enable Rourkela Steel Plant to produce stainless steel clad plates on a commercial scale. Indigenous production of these plates will immensely benefit the chemical industry which is now dependent on imports or uses plates made wholly from stainless steel. Being corrosion-resistant, such plates are extensively used in chemical industry and are at present being imported.

Through the "explosion clading" process developed by the IDL Chemicals Ltd, mild steel slabs were clad with stainless steel on one side. After sandwiching two such slabs by using submerged arc welding process in the Wagon Repair Shop of Rourkela Steel Plant, the slab was trial-rolled in the plant's plate mill. The trials have given successful results and the plates rolled have conformed to the standards of bend test under tension and pressure.

IDBI Committees

The Industrial Development Bank of India (IDBI) has set up an International Finance Committee and a Small and Village Industries Credit Committee, to assist the bank in reviewing its policies, strategies and procedures and enable the two wings to function more effectively.

Membership of the committee will include, apart from the representatives of the concerned ministries of the government of India and the Reserve Bank, the chairman of the Engineering Export Promotion Council and the president of the Association of Indian Engineering Industry in the case of the finance committee and the chairman of the Khadi and Village Industries Commission, the All India Handicrafts Board, the Central Silk Board and the National Small Industries Corporation as well as the president of the Associations of Small Industries of India in the case of the other committee.

Tie-ups with Indonesia

A cabinet sub-committee headed by the deputy prime minister, Mr Charan Singh, has been set up to process the memorandum of understanding that had been signed between India and Indonesia to collaborate in a variety of fields. The decision to set up such a high level committee has been taken so that there is speedy implementation of the proposals. The other members of the com mittee include, the minister o Steel and Mines, Mr Biju Patnaik, the minister of Petro leum and Chemicals, Mr H.M

Bahuguna, the minister of Commerce, Mr Mohan Dharia, the minister of Industry, Mr George Fernandes and the minister of External Affairs, Mr Atal Bihari Vajpayee.

The areas of collaboration identified in the memarandum signed during the visit of the minister of Steel and Mines, Mr Biju Patnaik, to Indonesia recently include ferrous and non-ferrous metallurgy, engineering industries, manufacture of machine and machine tools, geological exploration, development of mineral and other natural resources, development of technical manpower and for the design, engineering and technology for the development of steel, cement and small scale industries.

Bagasse-based Paper Projects

The government has announced a package of policy measures to attract entrepreneurs to set up bagasse-based projects to produce paper. Clusters of sugar factories would be given encouragement to set-up paper and newsprint mills in locations close to the sugar mills. Bagasse from the existing boilers can now be released by installation of steam economy devices on the existing boilers, conversion of existing boiler to coal fired boiler and provision of an altogether new coal fired boiler. Such improvements, conversions, additions or replacement of boilers could be a part of the capital cost of the paper mill.

It has also been decided that financial institutions would give priority in extending assistance to such schemes in accordance with the favourable debt-equity ratio that would be available for investments of this order. As the sugar factories would have to carry stocks of coal to meet their requirements during the crushing season, the cost of transporting, financing and storing coal by sugar factories would be built into the cost of bagasse that would be supplied to the paper mills. In order to offset the higher costs arising out of boiler replacement and the substitution of bagasse by coal in sugar factory boilers, the excise duty exemption would be given on writing and printing paper made with at least 75 per cent bagasse for a period of three years initially, and the position would be reviewed thereafter. The railways would give priority for the movement of coal to the sugar factories. Intending entrepreneurs are required to submit applications for indus-

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trial licences/registration for manufacture of paper and newsprint from bagasse.

PEC's Performance

Even though the Projects and Equipment Corporation of India (PEC), a subsidiary of the State Trading Corporation, failed to achieve last year the budgeted level of turnover, it was able to maintain its profitability. The corporation realised an aggregate turnover of Rs 39.7 crores, as against Rs 38.2 crores in the previous year. The shortfall from the original budgeted figure was as much as Rs 21.8 crores and from the revised figure Rs 3.4 crores. The imports at 9.7 crores fell short of the budget estimate of Rs 10 crores only marginally and were higher than the 1977-78 imports of Rs 5.6 crores by Rs 4.1 crores, but exports could be effected only to the order of Rs 30 crores, as against Rs 32.6 crores in the previous year. They fell short of the original target of Rs 51.5 crores by as much as Rs. 21.5 crores. Even the scaled down target of Rs 33.1 crores could not be achieved.

The setback to exports was caused primarily by three factors : (i) the turmoil in Uganda to which a substantial wagon export order was being executed; (ii) the financial difficulties faced by some overseas buyers which were developing countries; and (iii) the serious congestion at Indian ports. The marked increase in imports compared to the previous year, however, was achieved despite not even a single item being canalised. This suggests that the importers have develcped a good deal of confidence in the PEC handling imports on their behalf.

As regards profitability, although the profit before tax at Rs 1.2 crores last year declined from Rs 1.7 crores in the previous year and compared with the budgeted figure of Rs 1.7 crores, the post-tax profit at Rs 50 lakhs approximated both the budgeted and the 1977-78 levels.

The corporation hopes to do much better during the current financial year, as the export orders secured last year aggregated to Rs 68 crores, as against Rs 31.5 crores in the previous year. The export target this year has been set at Rs 56 crores. The total turnover is envisaged to be raised to Rs 59 crores.

As a result of finalising arrangements recently with the Railway Board and the Integral Coach Factory for earmarking 10 per cent of the annual production of coaches (70 to 75 coaches) for sale abroad, a new thrust is being made by the PEC in respect of exports of railway rolling stock. Out of the Rs 68 crores export orders secured last year Rs 40 crores represented wagons and the remainder coaches and a wide range of engineering goods and equipments.

New Markets

Strenuous efforts are being made to explore new markets for Indian engineering products. A breakthrough is claimed to have been achieved in the exports of cutting tools, machine-tool accessories and fence items to the United States. Several new items have been introduced to the existing foreigh markets—boilers and painting and drying booths to the Soviet Union, electric poles to Abu Dhabi, lighthouse equipment to Malaysia and printing machinery to the east European countries. Some repeat orders have been received from foreign buyers. In fact, Bangladesh and the United States have shown interest in finalising long-term arrangements for the supply of some products by the PEC.

The corporation has also started taking keen interest in turn-key projects abroad. It is inculcating liaison with well-known foreign contracting firms for third-country projects. Offers for projects worth nearly Rs 300 crores are stated to be in various stages of negotiation. It is hoped that Rs 15 crores worth of this business will be secured this year.

Trade with Bulgaria

With the change in trade between India and Bulgaria to convertible currency from January 1 this year, efforts are under way to further develop economic cooperation between the two countries on the basis of the complementarity of the two economies. According to press release by the Bulgarian embassy in New Delhi, development of trade on a much larger scale in the coming years is envisaged. Identifying the areas for cooperation, the press release stated that specialisation in production, and supply of Indian-building machines to Bulgaria and of Bulgarian electronic equipment and metal-working machines to India are on the anvil. Besides, cooperation in the field of shipbuilding and widening the scope of the reciprocal export of complete plants will be playing an ever growing role. Development of cooperation in the field of food, chemical and pharmaceutical industries also offers great possibilities. It is pointed out that there are also good prospects for further expansion in the field of agro-industrial complexes. Indo-Bulgarian cooperation in the field of science and technology is developing successfully. A Bulgarian delegation visited India in January 1979 to participate in the sixth session of the joint subcommission on scientific and technical cooperation and a long-range programme of cooperation covering the period 1979-84 was adopted.

Computers for Railways

The Railway minister, Prof Madhu Dandavate, recently underlined the need of introducing computers to a greaters extent in the railways. The use of computers would eliminate malpractices of reservation and wagon movements and the government had decided to computerise the whole system for restoring rationally-controlled wagon movements in the country, he said.

Prof Dandavate was inaugurating a seminar and exhibition on "telecommunication and electronics in railways" organised by the Institute of Railway Signal and Telecommunication Engineers at Howrah. Explaining the present situation, he said there was tremendous communication gap in the day-to-day functioning. Introduction of computers would remove this bottleneck. He, however, assured that the new system would not affect the interest of the railway employees.

Railways have introduced an automatic waining system for prevention of accidents All the suburban trains wil be provided with electronic devices which will help detec signals from one kilometre The railways have also set up long-haul narrow band micro wave system of their ow to serve communication requirements for train operation.

Prof Dandavate said this system had been introduced on trial basis in Bombay, Howrah-Burdwan section in West Bengal and Gaya-Mughalsarai section of Bihar. With in a short period this new warning system would be introduced in all sections of this railways.

Cotton Procurement

The procurement of cotton by the Cotton Corporation of India—a public sector undertaking—have so far exceeded eight lakh bales valued at about Rs 160 crores. The corporation which had set a target to procure 15 lakh bales this season, continues its operation in the major cotton centres of the country. The corporation was initially to procure only 12 lakh bales but, following a bumper cotton harvest and the depressed selling by the growers, the Industry minister, Mr George Fernandes directed the corporation to increase its target off-take by three lakh bales as a support measure to alleviate the sufferings of the poor farmers.

Rise in R & D Expenditure

There has been over fourfold increase in the expenditure incurred on scientific research during the period 1968-69 to 1977-78. Against Rs 107.56 crores in 1968-69, the expenditure has risen over the years to an estimated figure of Rs 460 crores in 1977-78. The data about this expenditure was given in a reply to a question in Lok Sabha recently by minister of state for Science and Technology, Mr Sher Singh. The expenditure has gone up from Rs 107.56 crores in 1968-69 to Rs 116.62 crore in 1969-70 and further to Rs 139.64 crores in 1970-71.

The figures for the subsequent years are: 1971-72 (Rs 151.64 crores), 1972-73 (Rs 194.67 crores), 1973-74 (Rs 216.01 crores), 1974-75 (Rs 291.60 crores), 1975-76 (Rs 356.69 crores), 1976-77 (Rs 402.25 crores) and 1977-78 Rs 460 crores (estimated). sixty-five per cent of this expenditure, was accounted for by the ight major scientific agencies—department of Atomic Energy, CSIR, Defence Research and Development Organisation, Indian Council of Agricultural Research, department of Science and Technology, department of Space, department of Electronics and Indian Council of Medical Research.

GIIC Grants

The Gujarat Industrial Investment Corporation sanctioned Rs 197.71 lakh for eight industrial units in March. Out of these a project manufacturing textile machinery such as blow room equipment will be established at Nandolia, village Vatva in Ahmedabad district which would be the third of its kind in the country with a total project cost of Rs 119 lakh.

The project for important dyestuff intermediates would be established at Ankleshwar with a view to meeting the large requirement of these intermediates in the country. The total cost involved in the project is Rs 190 lakh. The additional financial assistance is provided to six units for the different items in the fields of chemicals, castings, ceramic, steel and leather for the expansion of the units, additional production capacity or for the modernisation of their lines of production. It is expected that the additional financial assistance would generate the investment worth Rs 613.54 lakh.

The additional employment to 800 persons will be generated on account of the above projects.

Public Sector Guest Houses

The Committee on Public Undertakings has "condemned" the "indefensible" attitude taken by the government regarding maintenance of guest houses by public sector undertakings at extravagant cost and has recommended their closure if economies could not be effected in running them. It has recommended setting up of combined public undertakings hostels in big cities wherein personnel irrespective of their rank could stay on duty. The government should ensure that strict rules governing conduct of residents and visitors are formulated and enforced, dealing severely with cases of violation, the committee stated in a report presented by the chairman, Mr Jyotirmoy Basu, to Lok Sabha recently.

NAFED

The central minister for Commerce, Civil Supplies and Cooperation, Mr Mohan Dharia told the annual meeting of the National Agricultural Cooperative Marketing Federation (NAFED), recently that some structural changes in federation were required to cope with purchase operations of commodities on an all-India basis. In its present form, the federation was not adequately equipped to handle such operations on a massive scale.

In this context, Mr Dharia asked NAFED to send small teams to various states to chalk out a programme within the next three to four months in consultation with state marketing federations and primary cooperatives. Position papers should be prepared in the light of these discussions which should also be held with state Cooperation ministers. This matter required priority because cooperatives had to play an increasing role in safeguarding the interests of both growers and consumers in coming years.

He assured NAFED, that every possible help would be extended by the central government for this purpose. If necessary, he would also have discussions with chief ministers for cooperation. Commending the "brilliant record" of NAFED, particularly during the last two years, Mr Dharia stated that it was gratifying to note that the turnover had increased sharply from Rs 41 crores to Rs 100 crores during this period.

Revised Duty for Mini Steel Plants

In the wake of government's recent decisions on the pricing of iron and steel products, it has been decided, inter-alia, to withdraw the full exemption from excise duty hitherto applicable to steel ingots and semi-finished steel products manufactured by mini-steel (electric furnace) plants and to impose basic excise duty of Rs 100 per metric tonne thereon. Notifications have been issued recently by the Finance ministry in this regard.

Import of Wheelsets

The railways have placed big orders with Japan and Poland for wheelsets. About 1,000 such sets, imported from Japan, will soon reach the country. This was stated by the minister of Railways, Prof Madhu Dandavate, recently at a function to celebrate the annual railway week.

The minister said that unprecedented floods in West Bengal and its neighbouring areas had hit the production of wheelsets in Durgapur. As a result many wagons remained immobile. However, steps had now been taken to ensure that there was no shortage and delay in the movement of wagons and things would be returning to normal soon, he hoped. The minister also praised the railways for their performance in keeping the country's transport system going smoothly. Indian railways' service had earned a name for itself both here and abroad, the minister said.

Award for BHEL Accounts

The annual reports and accounts of Bharat Heavy Electricals Limited (BHEL), for the year 1977-78 have been adjudged as the best by the Institute of Chartered Accountants of India. This is the fourth successive year the BHEL has bagged the silver shield as the first prize in the competition for annual report and accounts of public sector and private sector enterprises.

Fair Return for Iron Ore Exports

Mr Mohan Dharia minister for Commerce and Civil supplies recently underlined the need for greater co-operation between iron-ore exporting countries, which would ensure a fair return for the raw material they provide to the developed world.

Delivering the valedictory address at the conclusion of the regional seminar on GSP for Asian countries, he cautioned against the formation of any cartel. "I am not in favour of cartels. I would rather break them," he said.

While the prices of steel had risen manifold over the years, the increase, in the prices of iron-ore had been comparatively less. In fact the present prices were far lower than the ones that prevailed in 1955. Against this, the developed countries had continued to increase the prices of steel.

The ten-day seminar was organised jointly by the Indian Institute of Foreign Trade (IIFT) and UNCTAD. As many as 33 developing countries participated in the meet which discussed the problems faced by these countres vis-a-vis the Generalised Scheme of Preferences. Representatives from EEC and other donor countries also attended the seminar. A major attraction of the seminar was the participation both by the most densely populated country and the least populated country, namely, China and Cook Islands, respectively. The latter has a population of only 15,000.

Potterswheel Ceramics

The Potterswheel genuine ceramic stoneware exhibition cum sale, which started from April, 1979 at AIFACS, Rafi Marg, remained open upto April 16, 1979. On display at the exhibition were ceramic tableware—a wide variety of it, in exotic designs, colours and patterns. On sale, at slashed rates, were both coloured and white ceramic tableware. This exhibition cum salew as organised by Punjab Potteries, the makers of Potterswheel Ceramics. Potterswheel is a brand name given only to the tested and the finest. All of Potterswheel Ceramics are of top quality. They are attractive, chip-resistant, completely safe and hygienic. And yet, they are much cheaper than the comparable imported ceramics.

Orange Star for Calcutta Airport

The International Federation of Airline Pilots Association had raised the status of Calcutta airport to Orange Star (Class I) from Red Star (Class II) at its meeting held recently at Bangkok.

Hand Tools for Sweden

Large export potential exists in Sweden for Indian hand tools, particularly in the semi-professional and non-professional segments of the market. Of particular interest to Indian exporters are items like cast vices, hammers, spanners, wrenches and socket-sets, wood working planes, hand saws, screw drivers, steel files etc. The Swedish market for such tools is largely dependent on import both for domestic consumption as well as for re-export to other Nordic countries. This has been stated in a report of the Market Survey in Sweden undertaken by the Trade Development Authority in the second phase of the bilateral programme with assistance from the Swedish International Development Authority.

The programme called "Export Development and Product Adaptation Project" is aimed at promoting exports of selected non-traditional light engineering products from India to Sweden. Indian exporters, the TDA report says, should try to market their goods in Sweden by concentrating their efforts through a single agency or a business channel at a time. In view of the small size of the market and its compactness it is not advisable to sell goods simultaneously through different contacts. Indian hand tools, in general, are well accepted in terms of quality and prices in the semi-professional segments of the Swedish market. They can effectively compete with similar products manufactured in South Korea and Taiwan, the two major suppliers of such items to Sweden. However, minor modifications may have to be carried out in the case of claw hammers, pliers and cutters, hack-saws, adjustable wrenches and screw drivers to meet local acceptance.

Names in the News

Dr K. A. Kini, deputy director, Central Fuel Research Institute (CFRI), has been appointed director of the institute, by the ministry of Energy, with effect from April 5, 1979. Dr Kini's association with the institute dates back to as early as February, 1949.

Mr P. F. Gutta and **Mr R. C. Shah** have been re-appointed managing directors and chairman of the board of directors of the Central Bank of India and the Bank of Baroda respectively for a further period of three years with effect from May 1, 1979.

Mr Baldev Pasricha, chairman, Indian Industrial Finance Corporation, has been granted extension for six months. He was due to relinquish his charge on March 31. The extension was necessiated because the Finance ministry failed to select a person on time to take charge of IIFC.

COMPANY AFFAIRS

Dunlop

DUNLOP INDIA has reported improved results during 1978 so that the directors have proposed to step up the equity dividend to 12 per cent from eight per cent paid in 1977. The company's total income increased to Rs 192 crores from Rs 167 crores in 1977. Its gross profit has increased to Rs 6.44 crores from Rs 4.08 crores a year before. The improvement in the performance is due to the increased volume of production and higher selling prices to offset the increases in costs, particularly the cost of rubber. The demand for tyres was better during the year under review which resulted in higher capacity utilisation. The company's pre-tax profit amounts to Rs 3.95 crores against Rs 1.22 crores. A sum of Rs 1.15 crores (nil) is provided for taxation leaving a net profit of Rs 2.80 crores against Rs 1.11 crores. The proposed equity and preference dividend will claim Rs 1.85 crores.

Blue Star

Blue Star has shown a significant improvement in its performance for 1978. Apart from stepping up the dividend from 18 per cent to 20 per cent, the directors have proposed a one-for-two bonus issue by capitalising Rs 46.26 lakhs from the general reserve. As against an increase of 15 per cent in turnover to Rs 26.82 crores in 1978, the gross profit has recorded an impressive rise of 72.2 per cent from Rs 82.91 lakhs to Rs 142.76 lakhs. After providing Rs 9.63 lakhs (Rs 8.69 lakhs) for depreciation, Rs 1.65 lakhs (Rs 0.64 lakh) for investment allowance reserve and Rs 80.60 lakhs (Rs 40.30 lakhs) for taxation, the profit available for disposal for 1978 amounts Rs 52.78 lakhs against Rs 33.28 lakhs in the previous year. The equity dividend will claim Rs 18.50 lakhs (Rs 16.65 lakhs) and preference dividend Rs 0.71 lakh (same). After certain adjustments, a sum of Rs 33.57 lakhs (Rs 15.91 lakhs) has been transferred to general reserve.

Escorts

Escorts has raised the final dividend for 1978 to 11 per cent which together with the interim dividend of nine per cent makes a total of 20 per cent against 16 per cent paid in 1977. Sales are up from Rs 106.15 crores to Rs 144.28 crores and the gross profit from Rs 10.28 crores to Rs 15.28 crores.

The performance for the first quarter of the current year shows further progress with sales amounting to Rs 36 crores and pre-tax profit to Rs 3.08 crores. This trend is expected to be continued during the rest of the year. After providing Rs 3.57 crores (Rs 2.25 crores) for depreciation, Rs 1.48 crores (Rs 1.28 crores) for investment allowance reserve and Rs 6.15 crores (Rs 4.05 crores) for taxation, the net profit works out to Rs 4.08 crores against Rs 2.70 crores in the previous year. Equity dividend will absorb Rs 1.67 crores (Rs 91 lakhs). A some of Rs 2.51 crores (Rs 1.98 crores) has been transferred to general reserve.

Sales of tractors increased to 17,064 units in 1978 from 13,001 in 1977. Rajdoot bi-wheelers have achieved sales of 38,308 units in 1978 against 30,119 units. The piston and piston pin expansion project at Bangalore has gone on stream six months ahead of schedule, but full production is likely to be achieved by June next.

Golden Tobacco

Sales of Golden Tobacco, in the first nine months of the current year, July 1978 to March 1979, were recorded at Rs 71.06 crores against Rs 61.43 crores in the same period of the previous year. This information was given by the company's chairman, Mr Chatrabhuj Narsee, at the extraordinary meeting held recently to seek shareholders' approval at the company's proposal to revamp the management aimed at further broadbasing professional management. The step was designed to equip the management to meet more ably the challenges and problems faced by the indigenous cigarette industry in general and by the company, in particular. Young professionals comprising a chartered accountant, a solicitor and experienced and mature entrepreneurs had been inducted to improve the company's capability coping with the expending business of the company and meeting the challenges of the future. The chairman stated that the company had recovered its lost ground in the last few years following strike and lock out spread over four months in the Bombay factory.

Central India Spinning

Mr Naval H. Tata, chairman of the Central India Spinning, Weaving and Manufacturing Co pointed out recently that it was very difficult to project the future profitability of the company, but the current market trend did indicate a period of moderate prosperity for the company for some time to come. However, for abundant caution such indication must be coupled with some reservation, the chairman indicated in his statement to the shareholders. If there were no further fiscal shocks at least for a while, the prospects were good enough to reward the shareholders for their infinite patience. The company's paper division had commenced production of kraft paper for which there was considerable demand. This diversification project had great scope for sophistication and expansion. This small unit, the chairman hoped, would play its part in contributing to the profitability of the company.

Asian Cables

Asian Cables, which has shown a marked improvement in its performance during 1978, hopes to gain further strength during the current year. With the larger allocation of funds for power development, the company hopes to expand its business. The chairman, Mr M.A. Bakre, feels that the current year will be a promising one for the company. Mr Bakre told shareholders at the annual meeting that the company's sales during the first quarter of 1979 totalled Rs 3.57 crores against Rs 2.97 crores during the corresponding period of 1978. The improved tempo of business is reflected in the larger influx of orders amounting to Rs 4.06 crores during the first quarter of this year against Rs 1.72 crores in the comparable period of last year. The unexecuted orders at the end of March totalled Rs 5.59 crores against Rs 3.28 crores a year ago. The chairman has stated that with the completion of the current expansion programme and the increase in production of cross-linked polyethylene cables the company's sales and profitability should improve further.

McNally Bharat Engineering

McNally Bharat Engineering Co. has reported encouraging results for the year ended November 1978. It has made a gross profit of Rs 250.48 lakhs in the turnover of Rs 11.15 crores against a profit of Rs 185.24 lakhs on the turnover of Rs 10.04 crores in the previous year. After providing Rs 35.06 lakhs (Rs 17.11 lakhs) for depreciation, Rs 18.92 lakhs (Rs 8.12 lakhs) for investment allowance reserve and Rs 89 lakhs (Rs 94 lakhs) for taxation, there is a surplus of Rs 107.50 lakhs against Rs 66.01 lakhs. Equity dividend which has been maintained at 20 per cent will absorb Rs 30.28 lakhs. A sum of Rs 77.22 lakhs (Rs 37.12 lakhs) has been transferred to general reserve.

The major contracts completed by the company during the year included a coal preparation plant for the Ramagundam coal-based fertiliser project and a coal handling plant for the Baudel thermal power station. The company secured a Rs 1.72 crores order for a fine ore handling plant, a Rs 96 lakhs contract for a copper concentrator in Karnataka, a Rs 5.13 crores coal handling plant at Tuticorin and a Rs 3.12 crores coal washery at Mohuda.

Gujarat State Machine Tools

The Gujarat State Machine Tools Corporation Ltd will enter the capital market shortly with a public issue of 1,102,500 equity shares of Rs 10 each for cash at par to raise a part of the finance required for its project designed to produce centre lathes, column drilling machines, radial drilling machines and hydrocopying attachments. Involving an outlay of Rs 6.67 crores, the project is promoted by Gujarat Industrial Investment Corporation and Hindustan Machine Tools Ltd (HMT), who have together already subscribed 51 per cent of the paid up capital. It will be located at Vartej in the Bhavanagar district of Gujarat. Trial production has already commenced. The HMT has been appointed as the sole selling agent of its prrject.

Doom Dooma Tea

Doom Dooma India is entering the capital market shortly to raise Rs 38.50 lakhs from the public offering 385,000 equity shares of Rs 10 each at par. The company has reserved 35,000 equity shares for allotment to the Unit Trust of India and General Insurance Co and 34,986 shares for employees and business associates. The company has taken the entire business and undertakings of the UK firm, Doom Dooma Tea Co a wholly owned subsidiary of Brooke Bond Liebig Ltd, London, for a total consideration of Rs 186.94 lakhs. The consideration is to be paid by the issue of 1,295,000 equity shares of Rs 10 each at par to Brooke Bond Liebig of the UK and the balance of Rs 57.44 lakhs will be ratained as interest-free loan from the UK company and will be payable in five equal yearly instalments. The company owns three tea estates in Dibrugarh district, Assam, with a total area of 2,554 hectares under tea cultivation. The company's turnover has increased from Rs 397 lakhs in 1973 to Rs 913 lakhs in 1977 and the gross profit from Rs 110 lakhs to Rs 350 lakhs during these years.

New Gujarat Cotton

New Gujarat Cotton Mills has reported higher turnover and gross profit during 1978 in spite of adverse trading conditions in its jute mill and spinning units in Calcutta. The impressive performance of the company's two textile mills in Ahmedabad has contributed to the improvement in turnover from Rs 27.66 crores to Rs 29.52 crores and in gross profit from Rs 122.64 lakhs to Rs 164.20 lakhs. The equity dividend has been maintained at eight per cent. Appropriations include Rs 43.90 lakhs (Rs 36.97 lakhs) for depreciation, Rs 27.89 lakhs (Rs 4.96 lakhs) for investment allowance, Rs 4.75 lakhs (Rs 77,000) for charity and donations and Rs 13 lakhs (against nil) for taxation.

The company's jute and spinning divisions have incurred losses during the year under review. Load-shedding ranging from 100 hours to 150 hours a month, September floods and a two-month strike in the jute mill affected working of the two divisions in Calcutta. The working of the cotton mill division has, however, vastly improved. The company has a capital expenditure programme of Rs 2 crores for the current year mostly for further modernisation of the textile division. Last year's capital expenditure of Rs 1.16 crores included the cost of installation of power plants at its Calcutta division.

Bhadrachalam Paperboards

Bhadrachalam Paperboards Ltd, an integrated pulp, paper and paperboards factory promoted by ITC Ltd, is expected to start trial runs by the first week of June. As scheduled, the plant is expected to go into commercial production by October 1. The capital outlay on the project, established in Sarapaka village of Khammam district, Andhra Pradesh, is placed at Rs 44 crores. The company has a licence to produce 50,000 tonnes of pulp, 30,000 tonnes of carton board and 20,000 tonnes of writing and printing paper a year. A notworthy feature of the project is the that process technology is wholly indigenous and there is no foreign collaboration whatever. Likewise, all the major equipment, plant and machinery, are fundamentally indigenous, the imported component being very small and confined to the essentials.

Amar Dye-Chem

The preliminary statement from Amar Dye-Chem, on its working results for 1978 shows a setback in profits. Despites an increase of 7.2 per cent in sales from Rs 27.99 crores in 1977 to Rs 30.01 crores in 1978, the gross profit has declined from Rs 3.48 crores to

Rs 3.03 crores. The slight fall is attributed to the rise in fuel and transport costs, enhanced wage bills, hike in power rates and increased operating costs. The dividend has been maintained at 12 per cent. Exports in 1978 were lower at Rs 1.90 crores against Rs 2.05 crores in the previous year. After providing Rs 125.18 lakhs (Rs 100.10 lakhs) for depreciation, Rs 16.10 lakhs (Rs 93.69 lakhs) for investment allowance development rebate and Rs 95.95 lakhs (Rs 88.41 lakhs) for taxation, the net profit for 1978 amounts to Rs 63.90 lakhs against Rs 64.87 lakhs in the previous year.

American Express

American Express Company and Vernitron Corporation announced recently that they have signed an agreement for American Express to acquire Vernitron's OEI division. OEI is a supplier of specialized computer services to the direct response marketing industry. Currently, it provides a variety of data processing services to major corporate customers, including American Express Company's travel related services group. OEI's major operating units are located in Great Neck, NY and Toronto, Canada. The company also maintains a London office.

Saraf Paper

Saraf Paper Mills Ltd, will be entering the capital market shortly with a public issue of Rs 43 lakhs in 430,000 equity shares of Rs 10 each at par. The company is setting up a paper mill at Alwar in Rajasthan, a notified backward area, with an installed capacity of 6,600 tonnes per annum for manufacturing writing and printing paper. The plant is located at a distance of 160 km from Delhi on the main Delhi-Alwar section of the national highway. The company has imported a second-hand paper plant and turbo alternator from Austria and the same has reached the site. The main raw materials for the project are also available. The total cost of the project at Rs 265 lakhs will be met by share capital Rs 80 lakhs including the central cash subsidy of Rs 15 lakhs.

Elgi Equipment

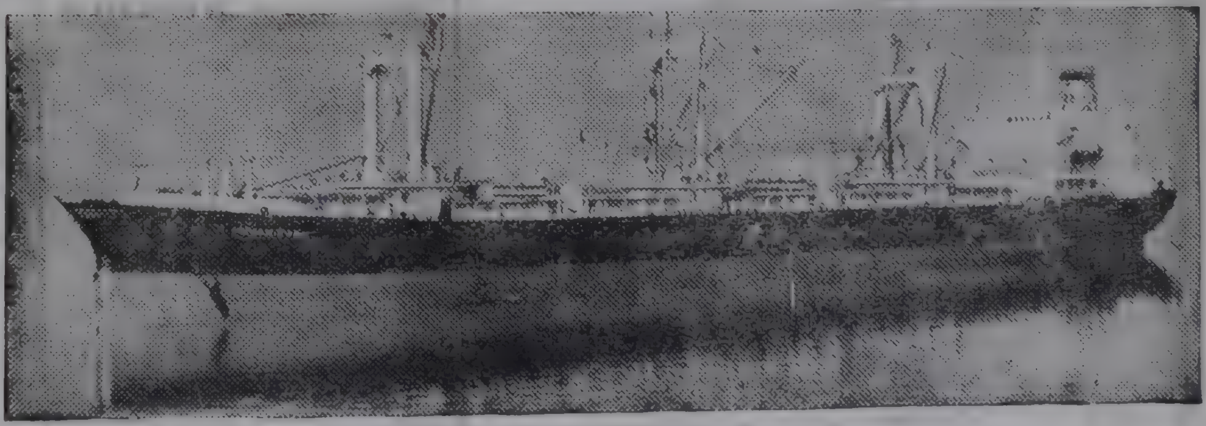
Elgi Equipment Ltd has fulfilled all the conditions laid down by the Indian Standards Institution to receive ISI making for the first time in the country for air compressors. Almost the entire range of compressors have been brought under this certification. The company has specialised in all forms of pneumatic and hydraulic equipment and accessories and developed various items to railways, such as auxiliary and main compressors, wind screen wipers, governers, limit switches, pneumatic horns, etc as original equipment and supplied to Chittaranjan Locomotive Works and Integral Coach Factory. ELGI has also developed equipment which are specially needed by the defence and in this direction they manufactured mobile service units for use in the border areas, and has so far supplied more than 600 such units. These were earlier imported.

Raasi Cement

Raasi Cement Ltd. will enter the capital market shortly with a public issue of 2,180,000 equity shares of Rs 10 each and 25,000 cumulative redeemable preference shares of Rs 100 each to raise a part of the finance for its Rs 10-60 crores project aimed at producing 365,000 tonnes of cement per year. Promoted by Andhra Pradesh Industrial Development Corporation in the joint sector with Mr N. K. Raju, the plant located at Wadapalli in the Nalgonda district of Andhra Pradesh is expected to start commercial production by the first quarter of 1982. The average capital cost of the cement produced at the plant is expected to be Rs 540 per tonne as against Rs 650 to Rs 700 a tonne approved by the government. The construction work is also in progress.

Correction

In the ICICI chairman's speech published in Eastern Economist dated March 30, 1979, the name of the chairman should read "J.S. Raj" and not as "J. M. Raj" as erroneously published therein.



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Grindlays Bank Limited

BALANCE SHEET OF INDIAN BRANCHES

Registered in London under the Companies Act of 1862 on the 23rd March, 1866. The liability of Members is limited.

CAPITAL AND LIABILITIES

			1978 Rs.	1978 Rs.	1977 Rs.	1977 Rs.
Capital	Amount deposited with the Reserve Bank of India under Section 11 (2) of the Banking Regulation Act, 1949 *(Market value of securities lodged)*		4 51 97 955.00		4 00 73 220.00	
Reserve Fund and other Reserves	**Head Office Reserve** (amount remitted in Sterling from Head Office)		2 19 60 000.00		2 19 60 000.00	
	Capital Reserve including revaluation of bank's premises (also including accumulated depreciation of Rs. 27 77 968.29 upto 31st December, 1966)		5 19 90 305.91		4 96 42 994.15	
	Revenue Reserve		42 37 989.81	781 88 295.72	60 72 325.06	7 76 75 319.21
Deposits and other Accounts	**Fixed Deposits**					
	from banks	25 000.00			25 000.00	
	from others	235 59 80 534.33	235 60 05 534.33		217 17 11 740.35	
	Savings Bank Deposits		129 61 27 981.37		121 04 41 808.25	
	Current Accounts Contingency Accounts etc.					
	from banks	4 16 65 242.27			2 93 60 139.35	
	from others	120 29 23 417.88	124 45 88 660.15	489 67 22 175.85	111 70 07 676.36	452 85 46 364.31
Borrowings from other Banking Companies, Agents, etc.	In India		21 79 32 933.39		32 81 71 142.51	
	Outside India *(Particulars of borrowings etc. appear in an appended statement)*		9 92 38 543.13	31 71 71 476.52	6 59 99 387.95	39 41 70 530.46
Bills Payable				18 65 58 836.38		11 31 41 644.88
Bills for Collection being Bills Receivable *as per contra*	Payable in India		26 44 76 894.10		23 64 01 118.78	
	Payable outside India		20 40 92 760.38	46 85 69 654.48	23 46 90 149.43	47 10 91 268.21
Other Liabilities:	**Net inter-branch balances**			—		—
Acceptances, Endorsements and other obligations *as per contra*				54 15 13 313.03		33 47 02 242.43
Profit and Loss	Balance brought forward from previous year		61 16 035.73		2 93 23 913.71	
	Add profit for the year brought from the Profit and Loss Account		2 55 78 784.57		2 61 16 035.73	
			3 16 94 820.30		5 54 39 949.44	
	Less remitted to Head Office		—		2 93 23 913.71	
			3 16 94 820.30		2 61 16 035.73	
	Less transfer to Contingency A/c.		—	3 16 94 820.30	2 00 00 000.00	61 16 035.73
Contingent Liabilities	*Claims against the banking Company not acknowledged as debts*		24 68 391.60		27 63 427.97	
	Outstanding forward exchange contracts		106 32 81 185.01		63 27 78 736.91	
	Guarantees issued		107 19 68 740.58		91 11 19 587.54	
	In respect of partly paid shares		36 25 000.00		46 62 915.00	
	In respect of Participation Certificates issued		9 25 00 000.00		25 00 000.00	
				652 04 18 572.28		592 54 43 405.23

Notes on

AS AT 31ST DECEMBER, 1978

PROPERTY AND ASSETS

			1978		1977	
			Rs.	Rs.	Rs.	Rs.
Cash	In hand, with Reserve Bank of India, and with State Bank of India (including foreign currency notes)			33 30 52 468.71		27 96 66 371.30
Balances with other Banks *(on Current Accounts)*	In India		13 79 656.42		15 96 712.58	
	Outside India		81 18 095.33	94 97 751.75	91 93 899.56	1 07 90 612.14
Money at Call and Short Notice				–		–
Investments *(at cost or under)*	Securities of the Central and State Governments and other Trustee Securities including Treasury Bills of the Central and State Governments		160 29 20 790.45		141 27 93 136.00	
Particulars of Investments appear in an appended statement	Shares					
	fully paid ordinary shares	43 28 080.00				
	partly paid ordinary shares	36 25 000.00	79 53 080.00		71 25 917.00	
	Debentures		15 020.00		15 020.00	
	Other investments		3 00 000.00		3 00 000.00	
	Gold		–	161 11 88 890.45	–	142 02 34 073.00
Advances *(Other than bad and doubtful debts for which provision has been made to the satisfaction of the Auditors—See Note 6)*	Loans, Cash Credits, Overdrafts, etc.					
	in India	257 55 87 806.85				
	outside India	–	257 55 87 806.85		248 28 24 711.65	
	Bills discounted and purchased *(excluding Treasury Bills of the Central and State Governments)*				–	
	payable in India	45 91 58 486.41				
	payable outside India	29 83 00 772.34	75 74 59 258.75	333 30 47 065.60	73 55 96 321.40	321 84 21 033.05
	Particulars of advances appear in an appended statement					
Bills Receivable being Bills for Collection *as per contra*	Payable in India		26 44 76 894.10		23 64 01 118.78	
	Payable outside India		20 40 92 760.38	46 85 69 654.48	23 46 90 149.43	47 10 91 268.21
Constituents' Liabilities *for acceptances, endorsements and other obligations as per contra*				64 15 13 313.03		33 47 02 242.43
Premises *less depreciation*	At cost/valuation as at 31st December, 1977		7 15 10 724.67		7 01 74 478.14	
	Additions during the year		7 41 479.00		14 77 545.95	
			7 22 52 203.67		7 16 52 024.09	
	Less sales and amounts written off during the year		7 11 635.93		1 41 299.42	
			7 15 40 567.74		7 15 10 724.67	
	Less depreciation to date		81 26 278.93	6 34 14 288.81	68 93 553.51	6 46 17 171.16
Furniture and Fixtures *including vehicles and equipment less depreciation*	At cost as at 31st December, 1977		2 90 65 828.50		2 99 56 901.45	
	Additions during the year		29 65 866.25		32 94 283.89	
			3 20 31 694.75		3 32 51 185.34	
	Less sales and amounts written off during the year		47 20 697.87		41 85 356.84	
			2 73 10 996.88		2 90 65 828.50	
	Less depreciation to date		1 49 04 778.38	1 24 06 218.50	1 49 95 706.03	1 40 70 122.47
Other Assets	Accrued interest and commission		4 59 87 424.97		3 70 63 687.57	
	Sundries		3 51 286.66		1 23 675.73	
	Stamps, advance rents, sundry deposits, initial expenses, etc.		9 91 30 387.26		6 03 46 589.80	
	Net inter-branch and Head Office balances outside India		22 59 822.06	14 77 28 920.95	1 43 16 558.37	11 18 50 511.47
Non-banking assets *acquired in satisfaction of claims*				–		–
				652 04 18 572.28		592 54 43 405.23

Accounts attached

Continued

Grindlays Bank Limited

PROFIT AND LOSS ACCOUNT OF INDIAN BRANCHES FOR THE YEAR ENDED 31ST DECEMBER, 1978

INCOME

(less provisions made during the year for bad and doubtful debts and other usual or necessary provisions)

	1978 Rs.	1977 Rs.
Interest and Discount	47 98 79 432.38	48 12 49 840.30
Commission, Exchange and Brokerage	8 55 51 036.14	7 78 10 808.31
Rent	4 89 931.71	4 93 919.63
Net profit on sale of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular fund or account)	28 00 896.70	34 56 422.72
Net profit on revaluation of investments, gold and silver, land, premises and other assets (not credited to Reserves or any particular fund or account)	—	—
Income from non-banking assets, and profit from sale of or dealing with such assets	—	—
Other receipts	—	—
	56 87 21 296.93	56 30 11 090.96

EXPENDITURE

	1978 Rs.	1977 Rs.
Interest paid on deposits, borrowings, etc.	24 73 38 410.60	23 83 75 448.66
Salaries and allowances and provident fund	11 91 78 180.52	11 11 94 818.53
Directors' and Indian Advisory Board members' fees and allowances	1 25 032.00	1 34 170.00
Rent, taxes, insurance, lighting etc.	13 10 48 648.09	14 42 38 428.97
Law charges	17 64 139.87	16 13 359.46
Postage, telegrams and stamps	21 91 820.17	21 83 218.02
Auditors' fees	2 00 000.00	2 00 000.00
Depreciation on and repairs to the banking company's property	1 00 36 473.05	87 18 122.86
Stationery, printing, advertisement, etc.	65 60 657.45	64 63 770.99
Loss from sale of or dealing with non-banking assets	—	—
Other expenditure	2 47 09 160.61	2 27 73 717.74
Balance of profit	2 55 78 784.57	2 61 16 035.73
	56 87 21 296.93	56 30 11 090.96

Particulars of remuneration relating to the banking company's chief executive in India:

	1978 Rs.	1977 Rs.
Salary	1 11 061.00	97 822.58
Allowances	48 211.00	44 020.16
Monetary value of any other benefits or perquisites [Including actual medical expenses reimbursed Rs. 2991.01 (1977 Rs. 4250.26)]	62 322.99	50 278.50
	2 21 594.99	1 92 121.24

PARTICULARS OF ADVANCES

	1978 Rs.	1977 Rs.
Debts considered good in respect of which the banking company is fully secured	2 34 94 35 180.11	251 14 07 374.33
Debts considered good for which the banking company holds no security other than the debtors' personal security	5 27 19 948.53	9 85 12 170.20
Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	93 08 91 936.96	60 85 01 488.52
Debts considered doubtful or bad, not provided for	—	—
	333 30 47 065.60	321 84 21 033.05
Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons	72 36 796.06	77 67 362.38
Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	—	—
Maximum total amount of advances including temporary advances made at any time during the year to directors or managers or officers of the banking company or any of them either severally or jointly with any other persons	84 39 547.80	84 61 410.37
Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or, in the case of private companies, as members	—	—
Due from banking companies	49 11 95 137.16	28 65 25 656.76

PARTICULARS OF BORROWINGS FROM OTHER BANKING COMPANIES, AGENTS, ETC.

	1978 Rs.	1977 Rs.
Secured *(See Note 1)*	20 46 43 200.77	20 81 60 613.43
Unsecured	11 25 28 275.75	18 60 09 917.03
	31 71 71 476.52	39 41 70 530.46

PARTICULARS OF INVESTMENTS VALUATION

	1978 Rs.	1977 Rs.
Quoted investments at lower of cost or market quotation	160 47 04 540.45	141 43 88 138.00
Unquoted investments at cost	64 84 330.00	58 45 915.00
Unquoted investments at below cost (cost Rs. 64500)	20.00	20.00
	161 11 88 890.45	142 02 34 073.00

Continued

Grindlays Bank Limited

PRINCIPAL ACCOUNTING POLICIES

1. **Bases of Accounting** The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and conform with practices within the banking industry.
2. **Specific Provisions for Doubtful Debts** Specific provisions for doubtful debts are made by provisions charged to current revenue. The determination of the balance of the provision is based on evaluation of individual advances, current economic conditions, viability and other factors and reflects an amount which, in management's judgement, is adequate to provide for potential losses.
3. **Depreciation on Investments** Depreciation held represents the excess of the total cost over the total market value of our investment portfolio. The provisions/releases are charged/released to revenue.
4. **Depreciation of Fixed Assets** Depreciation on furniture, vehicles, equipment and properties other than leasehold premises is charged on a straight line basis over the estimated lives of the assets. Leasehold premises are amortised over the periods of the respective leases.

   Equipment is depreciated over a 5 year period.
5. **Premises** Freehold premises and leasehold premises are included at cost or at professional valuation carried out in 1973.
6. **Investments** Quoted securities are stated in aggregate, at the lower of cost or market value. Unquoted securities are included at or below cost.
7. **Advance Payment of Income Tax** Advance payment of income tax and tax deducted at source on investment income, are deducted from provision made for income tax.
8. **Confirmed Letters of Credit** Contingent liabilities in respect of letters of credit, are included under "Acceptances, Endorsements and other obligations" on the liabilities side, with a corresponding increase in "Constituents' Liabilities for acceptances, endorsements and other obligations" on the assets side of the balance sheet.
9. **Foreign Currencies** Assets and liabilities in foreign currencies are converted at the rates ruling at the year-end, except that contingent liability in respect of forward exchange contracts is included at the contracted rates.

NOTES

Notes forming part of Accounts for the year ended 31st December 1978

1. **Borrowings** The borrowings from other banking companies, etc. classified as secured are secured by the corresponding advances to customers.
2. **Bonus** (a) Bonus of Rs. 64 lacs has been paid for 1977 (Rs. 67 lacs for 1976 paid in 1977) in accordance with the Payment of Bonus Act, 1965, and has been charged to these accounts. Bonus for 1978, if payable, will be charged to revenue on a cash basis, consistent with past practice.
   (b) Rs. 85 lacs paid in January 1979 in full and final settlement of bonus for 1974 and 1975 will be charged to 1979 accounts on a cash basis.
3. **Unremitted Surplus** In terms of current exchange control directives, pending completion of the Bank's Income Tax Assessment for the Accounting Years 1973 to 1978 inclusive, a total amount of Rs. 323 lacs (1977 Rs. 268 lacs), arising from adjustment of Head Office Charges, relating to those years, is held unremitted in India and included in "Deposits and other Accounts."
4. **Income Tax** (a) 1978 Provision
   Provisions for income tax and interest tax estimated at Rs. 1208 lacs (1977 Rs. 1342 lacs) have been charged to these accounts and included in the expenditure item "Rent, Taxes, Insurance, Lighting, etc."

   (b) Contingent Liability
   Proceedings were initiated under Sections 147/148 of the Income Tax Act 1961 for the years 1957 to 1970 and writ petitions filed by the Bank in respect of the years 1957 to 1969 have been disposed of by the Calcutta High Court in favour of the Bank. The Income Tax Department has gone on appeal. Further, assessments of some years are in dispute including dispute regarding treatment of interest suspensed on certain doubtful debts. The liabilities, if any, relating to these are not ascertainable at this stage.
5. **Staff Retirement Benefits** Retirement benefits to employees retiring after 27th December 1974 are paid from an approved trust fund — Grindlays Bank Limited Indian Staff Pension Scheme. The actuarially valued liability, reduced by the contributions of Rs. 508 lacs already made to the fund (including Rs. 100 lacs charged in these accounts to cover annual and part initial contributions), amounts to Rs. 918 lacs on 31st December 1978 (Rs. 936 lacs as at 31st December 1977).

   In addition, pension payments to employees who retired on or before 27th December 1974 are treated in the accounts consistently on a cash basis.
6. **Advances** Included in "Debts considered good for which the Banking Company holds no security other than the debtors' personal security" is an amount of Rs. 367 lacs in respect of dues from companies nationalised in 1976 with retrospective effect. Claims have been lodged for the above amount together with interest with the appropriate authorities under the Act nationalising those companies. Until these claims have been agreed with the authorities the final amount of the settlement cannot be established. It has, therefore, not been possible to ascertain the shortfall that may arise on the final settlement of these claims and accordingly, no provision has been made in these accounts in respect thereof.
7. **Re-arrangement of Previous Year's Figures** Previous year's figures have been re-arranged wherever necessary.

A. K. Basu
Controller

L. A. W. Evans
Regional Director, South Asia

AUDITORS' REPORT

We have audited the Balance Sheet of Indian Branches of Grindlays Bank Limited as at 31st December, 1978, signed by us under reference to this report, and the relative Profit and Loss Account in which have been incorporated the unaudited returns from 18 branches, not visited by us, for which the Company Law Board has granted exemption under Rule 4 of the Companies (Branch Audit Exemption) Rules, 1961 from the provisions of Section 228 of the Companies Act, 1956.

Under the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI of the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms "A" and "B" of the Third Schedule to the Banking Regulation Act 1949.

On the basis of the audit indicated in the first paragraph, we report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of account, as required by law, have been kept by the Indian branches of the Bank so far as appears from our examination of those books and the aforesaid unaudited returns and these returns have been found to be adequate for the purpose of our audit.
3. The Balance Sheet and the Profit and Loss Account of the Indian Branches of the Bank dealt with by this report are in agreement with the books of account and the aforesaid returns.
4. In our opinion and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Account together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis the said Balance Sheet gives, subject to Notes 2 (b), 5 and 6 thereon regarding Bonus, Staff Retirement Benefits and Advances respectively, a true and fair view of the state of affairs of the Indian branches of the Bank as at 31st December, 1978 and the Profit and Loss Account gives, subject as aforesaid, a true and fair view of the profit of its Indian branches for the year ended on that date.

A. K. CHAKRABARTI Partner
For and on behalf of Price Waterhouse & Co.
Chartered Accountants

Calcutta, 12th February, 1979.

RECORDS AND STATISTICS

Industrialists' panel on licensing procedures

The 18-member Industrialists' Committee on Licensing Procedures, set up by the ministry of Industry in October last with Mr H. P. Nanda as convener, has recommended, in its report submitted to the government recently, immediate delicensing of the core sector of the economy and grant of exemption from licensing to industrial units with assets up to Rs 15 crores. The limit of Rs 20 crores for MRTP companies, it has stressed, should be raised to Rs 45 crores. Only when a company is a "dominant undertaking" or if the value of its assets exceeds Rs 45 crores should it be covered by the MRTP Act.

The committee says that the principle of automatic growth must be accepted by the government for a variety of economically compelling reasons. An automatic annual growth of five per cent compound rate or 30 per cent for a five year period in the registered or licensed capacity should be permitted to all the industries, including dominant undertakings, without any conditions attached.

The committee also feels that "horizontal proliferation" by companies, whether they are MRTP companies or not, should be encouraged, as this is a powerful instrument for the diffusion of economic power.

The following are the principal conclusions and recommendations of the committee:

THE COMMITTEE, after a historical review of the evolution of the industrial licensing system since the enactment of the Industries (Development and Regulation) Act (IDR Act), has come to the conclusion that sincere efforts have been made on specific occasions to effect liberalisation, but these efforts being basically of an ad-hoc nature, have failed to stem the tide of increasing regulatory powers vested in the system of industrial licensing.

The economy in general, and industry in particular, has, therefore, paid the penalty of scarcities and rigidities, and while industrial licensing cannot be said to be the only factor inhibiting the rapid growth of production and investment in industry, it is certainly one of the most important factors, since without an industrial licence industrial investment cannot fructify at all.

It is the unanimous opinion of the committee that circumstances have now placed the Indian economy in an ideal position to step up both the production and the investment in the industrial sector. On the one hand, the rate of savings has tended to exceed the rate of investment, clearly implying that the shortage today is not so much of investible resources but of projects, which are unable to get off the grounds due largely to delays in the licensing system. On the other hand, the foreign exchange constraint which has been another important ingredient in the rigidity of industrial licensing, has also virtually disappeared. The committee cannot stress too emphatically, therefore, that the time is now opportune to seek a massive increase in industrial production and investment. But for this to happen, it will be necessary to take bold and pragmatic steps in the field of industrial licensing, since without such steps the ability and agility of the economy to respond to these opportunities is stifled.

The committee, therefore, expresses its belief that government, in appointing it, has, in fact, recognised **the immense contribution that liberalisation in industrial licensing can make towards rapid economic growth consistent with the claims of social justice and the demands of fuller employment.** The committee believes that its recommendations are in harmony with this overall approach of the government.

The committee cannot escape the conclusion that the marked deceleration in the annual growth rates of industrial production and in real capital formation which has taken place during the decade 1966-67 to 1976-77, is, to a major extent, the outcome of the increasing regulations that have come to be imposed in this decade of regulation and stagnation. There have been periodic attempts at liberalisation, no doubt, but these have been too few, and in a number of cases, what has been conceded in principle has been defeated in the details of implementation.

The committee believes that no effective and lasting changes can be brought about either in our policy framework or in our industrial licensing procedures so long as certain attitudes continue to prevail in every major segment of Indian industry both in the public and the private sectors as also in the attitudes of scientists, of the bureaucracy and of government in general, at the central as well as state levels.

Conflicting Goals

It is imperative for this intellectual breakthrough that the nation be not saddled with the simultaneous achievement with equal degree of emphasis on a number of socio-economic goals, some of which are in direct conflict with each and one another.

It is even more imperative that the system of industrial licensing must not be used as a multipurpose mechanism for achieving these goals in a simultaneous manner. The fundamental cause of the delays in the industrial licensing system stems from this fact of usage of the industrial licence to secure simultaneously all the socio-economic goals.

Therefore, re-orientation is required, on the one hand to convince the policy-makers in the country not to seek to achieve all goals simultaneously, and to rotate such goals over different time periods, as is done in different countries; and simultaneously innovative policy must be demonstrated in the use of fiscal and financial incentives to achieve the socio-economic goals instead of loading the industrial licensing system with the burden of achieving such goals. The committee therefore suggests that a fundamental attitudinal re-orientation is an essential prerequisite for an effective and lasting simplification of the industrial licensing system in India.

Regulatory Mechanism

The committee would also invite the attention of government to what the Ramakrishna study group has already noted, namely, that whereas by law and by logic, the innumerable regulatory legislation and the institutions that have come into existence after the enactment of the IDR Act in 1951, should have lessened the regulatory powers implicit in this act, tragically "these innumerable powers" of legislation and institutions have in fact reinforced the regulatory powers. The time has therefore come to "unshackle" industrial licensing from as many regulatory aspects as possible, since these regulatory mechanisms have already been planted into the economy through a number of other channels.

The committee is also convinced that the belief, so assiduously cultivated during the last two decades, that industrial growth requires a system of industrial licensing which divides industries into "boxes" has to be discarded. The truth is that, barring a few very special cases, the growth of the large and the medium sectors of industry—both in the public and the private sectors—tend to bring an even sharper growth in the small-scale industrial sector. The committee enjoins the economic policy-makers to recognise that the dynamics of modern economic growth involves the complementary relationships between the large and the small-scale sectors of Indian industry. There is no surer recipe of throtling the growth of the small-scale sector than by placing an embargo on the rapid development of the large-scale sector. Empirical studies substantiate and economic theories support this central contention, which is overlooked in current policy formulations.

The committee would, therefore, earnestly call upon government for reconsideration of the basic premise of the current system of industrial licensing. It must be reconsidered whether the socio-economic goals can be, without prejudice to the claims of social justice, "rotated" over different time periods; it must be examined how far other economic policy instruments, instead of being in additon to, can act as substitutes for industrial licensing. Indeed, with some boldness, the committee ventures to suggest that the time has come to ask whether industrial licensing in its present form is at all the real answer to the demands of Indian economic development.

Cut-off Points

The committee recognises that the issues it raises may be easily misrepresented as a retreat into a laissez-faire economy. What cannot be challenged, however, is the necessity of inducting into the Indian industrial licensing system, a mechanism for continuously updating over every 3 or 5 years the "cut-off points" into which the various "boxes" of Indian industries are currently divided by the present system of industrial licensing policy. This would be justified not only by the demands of continuous inflation, but by the dynamics of rapid economic growth. The committee, therefore, calls upon those in charge of administering the industrial licensing system to continuously review the demands made by both inflation and economic growth in respect of these 'cut-off points'.

The committee recommends three central areas in which the 'cut-off points' must now be redefined so as to (a) considerably reduce the workload of the licensing authorities; (b) take into account the erosion caused in the real value of investment; and (c) spur economic growth without jeopardizing goals of creating new entrepreneurship or new sources of employment.

Delicensing Core Sector

After a most careful examination, the committee feels that the time has now come to delicense the core sector of the economy for a variety of reasons which are economically justifiable.

Till such time that the above recommendation can come to be implemented, the committee would recommend that subject to certain limitations such as the reservation of industries for the small-scale sector, the time has come for new "cut-off-points" to be established. These are indicated below.

Industrial licensing should be exempt for all units for projects with value of assets upto Rs 15 crores, provided they satisfy certain conditions outlined in the committee's report. In other words, only projects above Rs 15 crores should require industrial licences.

Again, subject to specific limitations mentioned in the report, the limit of Rs 20 crores for MRTP companies should be raised to Rs 45 crores. Only where a company is a "dominant undertaking" or if the value of its assets exceed Rs 45 crores, should it be covered by the MRTP Act.

Economic Rationalities

The committee notes that the definitions of both "the market" and "the value of assets" need to be brought into line with economic rationalities. Once this is done, dominant undertakings will, henceforth, be defined as undertakings with more than 1/3 of the market share and with value of assets of Rs 3 crores or more (redefined by the committee).

The committee emphasises that if a multi-product company is dominant in one product, then it should be considered dominant only in respect of that particular product and not in all other products. Similarly, if a company, with its elaborate R & D work, brings out a new product into a market, such a company is considered dominant in this product. The committee would request that considering the importance of R & D and the product, the dominance of the said company deserves to be condoned and should be condoned in the public interest.

The committee would like to compliment the Secretariat for Industrial Approvals (SIA) for bringing about considerable improvement in the expeditious disposal of industrial licence applications. The committee feels, however, that the system of industrial licensing has, in fact, ceased to be a system; it has become a web of perennial entaglements. It has therefore come as no great surprise to the committee that as many as 28 per cent of the original industrial licence applications have had to be returned to the prospective entrepreneurs because of their failure to understand the complexities of this web. The committee, therefore, recommends that the 'Entrepreneurial Assistance Unit', which currently functions only in Delhi, should now have its counterparts under the auspices of SIA in the principal cities of India.

Policy Input

Another major finding of the committee has been that considerable delays occur in the case of several industrial licence applications covering major industrial projects, due to the lack of concrete policies having been evolved by the government. Hence, such licences continue to remain in the domain of uncertainty and ambiguity as government itself is not clear about the various aspects related to the growth of such major industries. The committee, therefore, strongly recommends that at least in the case of the major 25 to 30 industries, even at the expense of spending time in the initial stages in preparing the ground rules and the guidelines for such industries, such an exercise must be made so that at the time of the industrial licence applications, all the parties connected with this industry are aware of these ground rules and guidelines. Every hour spent in getting a clear picture of what the government would want a particular industry to achieve (and how) will reduce the delay of several weeks (if not months) through the expeditious disposal of the industrial licences, and, there, the committee recommends that every major industry must be supplied the necessary "policy inputs".

The committee strongly recommends that in the prepation of such basic 'Policy Inputs' for major industries, the development councils must be intimately associated with the drawing-up of the major industry plans.

The committee also recommends as a general principle of industrial licensing that the policies in existence at the time when an entrepreneur applies for a licence, should normally be policies that should govern the conditions of such a licence application, and the induction of totally new factors must be kept to the barest minimum.

Development Councils

The committee agrees with the Ramakrishna study group that the time has now come to reactivate the development councils. The committee feels, however, that the role of the development councils is so central to the effective functioning and growth of an industry, that it should not be merely an official body. The committee, therefore, has indicated at great length, the composition of the newly activated development councils and the manner in which it can play an effective role.

The committee would like to make it clear that the activities it contemplates for the newly activated development councils would not in any way conflict with those of the working groups appointed by the Planning Commission.

The committee strongly believes that the principle of automatic growth must be accepted for a variety of economically compelling reasons. The committee, therefore, recommends that an automatic annual growth of five per cent compound rate, or 30 per cent for a five-year period in the registered/licensed capacity should be permitted to all the industries including dominant undertakings without any conditions attached,

The committee must express its apprehensions in respect of the thesis, now sought to be advanced in certain quarters, that industrial licensing, particularly in so far as it pertains to MRTP companies, should permit "vertical expansion", but discourage and, indeed, forbid "horizontal proliferation", The committee, on the basis of several economic grounds, strongly feels that "horizontal proliferation" by companies, irrespective of whether they are MRTP companies or not, is, in fact, a powerful instrument for the diffusion of economic power and far from being forbidden, should, in fact, be encouraged if the goals of promoting competition and reducing the market share of the large companies are to be achieved.

Land Ceiling

The committee is also perturbed about the time-consuming and indeed economically injurious effects of the proposed Urban Land Ceiling Act, and has, therefore, made specific recommendations as to how, without in any way subtracting from the goals set for this act, it can be made flexible enough to accommodate the requirements of industrial growth and mobility.

The committee feels that though it has no mandate to make any recommendations in the areas of the small-scale sector it would only plead that the principle of continuous reassessing the 'cut off poin be also applied to this secto so that success in growth not converted into a penal for the small-scale sector. T committee has rejected outrig the thesis that 'once small always small'.

Import of Technology

The committee recognis that the subject of import foreign technology is a con plex one which defies ea solution. Nevertheless, t committee does feel that, on the demarcations have be made of the areas in whi technology can and should promoted, all impediments terms of time and the rates royalties and technologic fees should be removed reduced. In developing th argument, the committe would also invite the possibil ties opened up by the ne system of "Buy-back Arrang ments", which are emergi in international trade an investment.

The committee woul also like the country, withi permissible limits, to ava itself of the opportuniti of importing second-han machinery, which due various reasons, are no cheaply and easily availabl The committee recognises th there are dangers in this are But this can be no excuse f missing out opportuniti provided by the current worl economic situation, for Indi to import such second-han machinery will help to brin down the cost of capit equipment, which have esc lated by several times durin the last eight years.

The committee has made number of observations regar ing the causes of delay in th current system of industri licensing. It cannot, however, accept the plea that the SIA should be dismantled and that each administrative ministry should, henceforth, be entrusted with the task of industrial licensing. The committee, however, does believe that some degree of decentralisation is both inevitable and desirable in the shape of setting up screening committees within each administrative ministry so that the prospective entrepreneur making an industrial licence application is made aware at the earliest of what, in the judgement of the different governmental ministries/agencies, are the weaknesses or deficiencies in his proposals. The committee, therefore, strongly recommends setting up of such screening committees in the manner suggested in its report. The committee recommends that after the licensing committee meeting, the decision reached should be communicated to the applicant within 30 days.

Avoiding Duplication

The committee notes that in certain cases, in spite of the existence of the licensing-cum-MRTP committee, an applicant has once again to await a whole chain of clearances. This duplication needs to be avoided. The committee recommends that once a letter of intent has been issued, no new conditions should be set by any agency either associated with the relevant licensing committee, or for that matter by any other agency except the financial institutions.

The committee fails to understand why in several areas pertaining to an industrial project, one and the same aspect comes within the scrutiny of different governmental agencies. Such 'commonalities' in the areas of technology, of finance, of monopoly legislation, etc. should not exist. If the different governmental agencies must be consulted, they must arrive at a common set of conclusions and conditions to be imposed in a concurrent and not sequential manner. In this connection, interconnected help would be secured in the case of major industries by implementing our recommendation of having major industry plans worked out in advance.

Strengthening SIA

While the committee is convinced that only projects with a value of assets of over Rs 15 crores must henceforth, go to the licensing committee, it is equally convinced that even so the SIA needs to be strengthened in terms of both its staff and its powers. The committee, however, cannot accept a view-point placed before it that the SIA should be endowed with executive powers. The SIA must remain a servicing organisation, but must be made a strong and effective servicing organisation. The committee has, therefore, suggested ways and means of implementing this recommendation.

The committee hopes that its appeal for securing "a deadline project" is not used for the negative purpose of quick disposals but for the positive purpose of early acceptance. The committee greatly appreciates the painstaking work of the Sachar committee but fears that its recommendations in several areas will add substantial delays in securing the early fructification of industrial investments and industrial projects. Indeed, the committee is convinced that the entire task it has been entrusted with, namely of expediting the decisions under the present system of industrial licensing and monopoly legislation will be rendered null and void if the recommendations of the Sachar committee in this respect are accepted. A number of recommendations of the Sachar committee will retard whatever little liberalisation the Indian industry has secured during the last few years, and its insistence on "compulsory reference to the MRTP Commission" is only one of the several objectionable recommendations made by the Sachar committee. Our committee has, therefore, dealt with at great length on the irrationality of such recommendations.

The committee suggests that a licences reviewing committee be set up so as to serve as a sustaining mechanism ensuring continuous interactions between government and industry in the vital areas pertaining to the early fructification of an industrial project.

DGTD's Contribution

The committee recognises the extremely useful work undertaken by the DGTD but believes that it will not be capable of living up to the deadlines set for it so long as its present staff remains what it is and so long as its relationship with the Development Commissioner of Small-Scale Industries is not properly defined.

The committee has made specific recommendations in a large number of areas covering industrial licensing, import of goods, import of foreign technology, etc. and these recommendations are spelt out at considerable length in the chapter in the report on 'Specific Proposals to Expedite Industrial Licensing'.

In the scheme suggested by the committee, only such projects which have a far-reaching qualitative and quantitative significance in the Indian economy, would be put up for clearance from the angles of both, industrial licensing and monopoly legislation. The committee, therefore, feels that it may be deemed more expeditious that one centralised body should deal with the issues raised by such major projects instead of the present three licensing committees whose composition is more or less identical.

Classification of Goods

The committee views with apprehension, the suggested amendment to the Monopolies & Restrictive Trade Practices (Classification of Goods) Rules 1971. In the opinion of the committee, the principles by which this amendment is sought to be made are so open to challenge on both logical and statistical grounds, that such an amendment should not be effected unless a more careful examination is made.

As the committee has laid great stress on the creation of development councils for each major industry, it feels that the task of classifying products should be entrusted to such development councils. The committee, however, does not reject the idea that a reclassification of products and goods has to be made every five to seven years on the same principle which it has advocated before, namely that the dynamics of the economy creates new products and new technology, which must be taken care of through reclassification of goods.

The committee feels that

there is some justification in the continuous complaint made before it regarding the delays in fructification of an industrial project caused by what has been called the 'detailed scrutiny' by the public sector financial institutions. The committee, however, cannot accept the suggestion that the grant of an industrial licence must automatically carry with it the right of an assured supply of finance. The committee would also not like the financial institutions to be associated with the licensing authorities right from the outset. However, the financial institutions should be given representation on the development councils set up for each major industry.

The committee strongly feels that the principle of convertibility is not only a major impediment to industrial investment but also the cause of considerable delays, involving as it does, a great deal of negotiations. If the objective of the convertibility clause is not a political one, it would not be difficult to institute devices, whereby, the growing prosperity of a concern, initially assisted by the financial institutions, can be shared in an increasing manner by such institutions.

Word of Caution

The committee would recommend considerable caution about the manner in which the linking of letter of intent with the financial institutions has been recommended by the Narasimhan and Ramakrishna study groups. Apart from the fact that clarity is lacking in this area, the practical difficulties of linking financial assistance with the system of industrial licensing are immense.

The committee would like to take this opportunity of stating that one of its central recommendations of using fiscal and financial incentives as a means of taming the regulatory impact of industrial licensing can be achieved through the instrument of the financial institutions. The committee would, therefore, assign a special liberalising influence to this role instead of having the present system of "banned areas". The guidelines given to the financial institutions could provide for positive incentives to new entrepreneurs, as part of the overall industrial policy to strengthen the weak instead of the current system of weakening the strong.

A Novel Approach

The committee believes that a novel approach can be tried out with the system of the industrial licensing. The present system has been associated with a negative code of vetoes and prohibitions. But here are distinct possibilities of using the industrial licensing system as a means of rewarding entrepreneurs who achieve certain socio-economic goals. Thus, in the vital areas of promoting research and development, of exports, of anti-pollution schemes and, last but not the least, of ' ancillarization", rewards could be given to industries in terms of automatic expansion of the capacity of existing projects or by way of easy entry into new projects where socio-economic goals whould be successfully served and achieved by such entrepreneurs.

The very system of industrial licensing which today hinders economic growth can, indeed, be used as a powerful instrument for promoting industrial growth provided certain socio-economic objectives are achieved.

Monitoring Mechanism

The committee recommends that in any major industry if the figures of production show a stagnancy for a period of more than three years, the system of industrial licensing must be made so operative as to immediately bring into existence new additional capacities. In other words, a monitoring mechanism must be established within the present system of industrial licensing of not only to continually update the 'cut-off points' but also to give the early warning signals of stagnancy in investment and production in major industries.

The committee recommends that, henceforth, while the ministry of Industry will continue to be the coordinating ministry for all the economic ministries involved in securing the desired rates of growth in industrial production, (for which incidentally the ministry of Industry is currently held responsible), it is necessary at the inauguration of every financial year that each economic ministry, under which specific industries are entrusted, must declare to the nation its targets of growth. If such a target is too ambitious, it will be found out to be hollow; if it is too modest, it will hardly reflect well on the economic ministry concerned. In working out such targets, proclaiming them and then seeking to achieve them, the different economic ministries will come to acquire a vested interest in chasing-up the industrial licence applications and in expediting their early fructification. Hence in our scheme, while the SIA will remain as an important arm of the ministry of Industry to pursue the deadlines set for the early sanctioning of the letter of intent and, subsequently the industrial licence, it will also give incentive to the economic ministries to actively engage themselves in trying to ensure that the licences, which come within its purview, are granted at the earliest so that the targets of growth and investment for the specific industries, which come within its purview, are achieved.

The committee is firmly of the view that the ministry of Industry has a vital role to play in the promotion of industrial development within the country. The committee desires that the ministry of Industry must become a powerful engine of industrial development in a manner ideally set by the example of MITI in Japan. The committee, therefore, would suggest that the ministry of Industry carefully studies the operation of MITI in Japan and adopt suitable and desirable features for Indian industry.

Positive Instrument

The committee would like to think that the ministry of Industry should come to be looked upon by the various segments of Indian industry, not so much as a regulative body, but as a positive instrument of industrial growth, harmonising the conflicts between the different segments of Indian industry and establishing incentives to achieve higher production along socio-economic goals of the country.

We are sure that this is the role the ministry already sees for itself, and we can only hope that our recommendations will help the ministry to achieve its goal of being a powerful promotional agency of India's industrial development.

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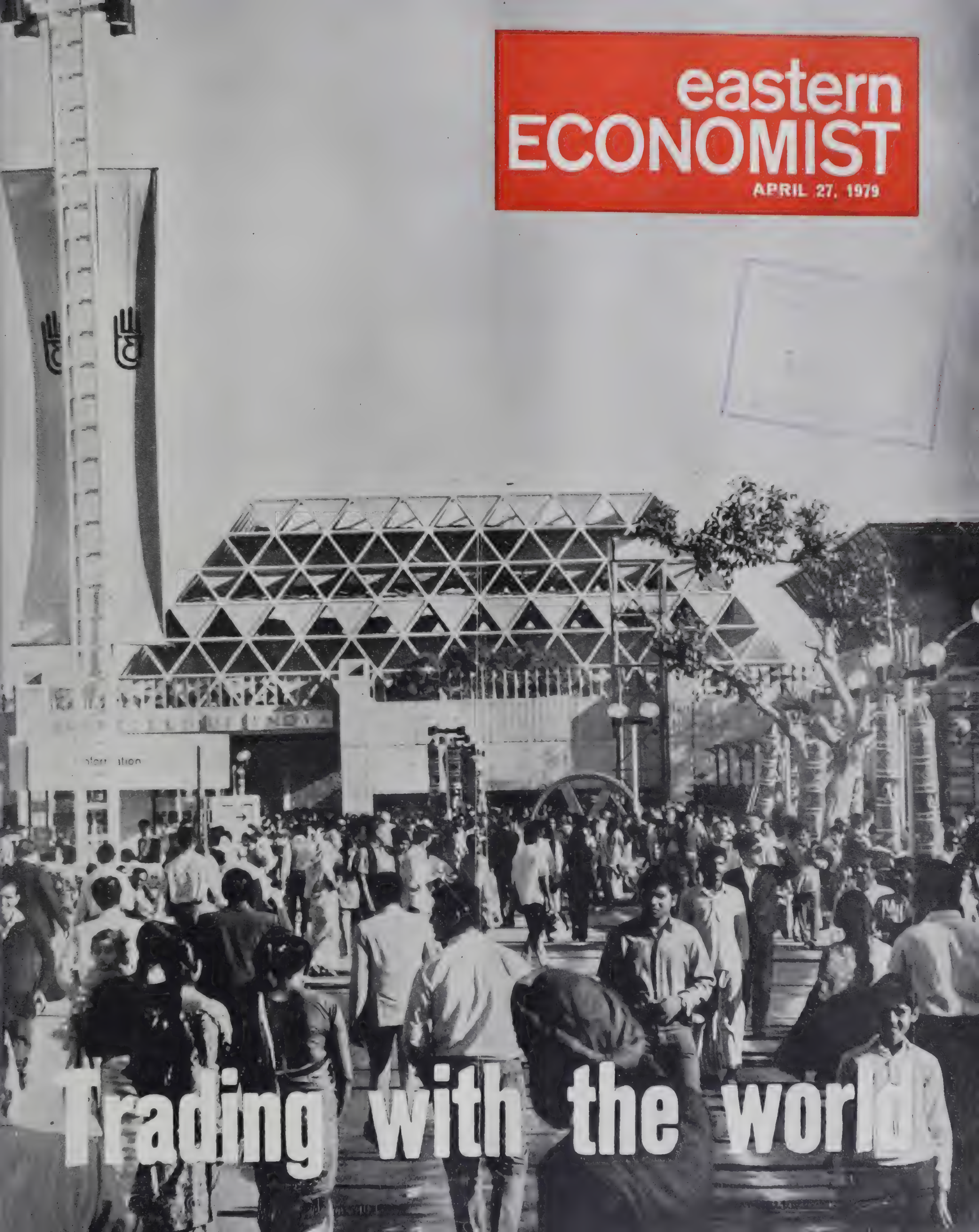

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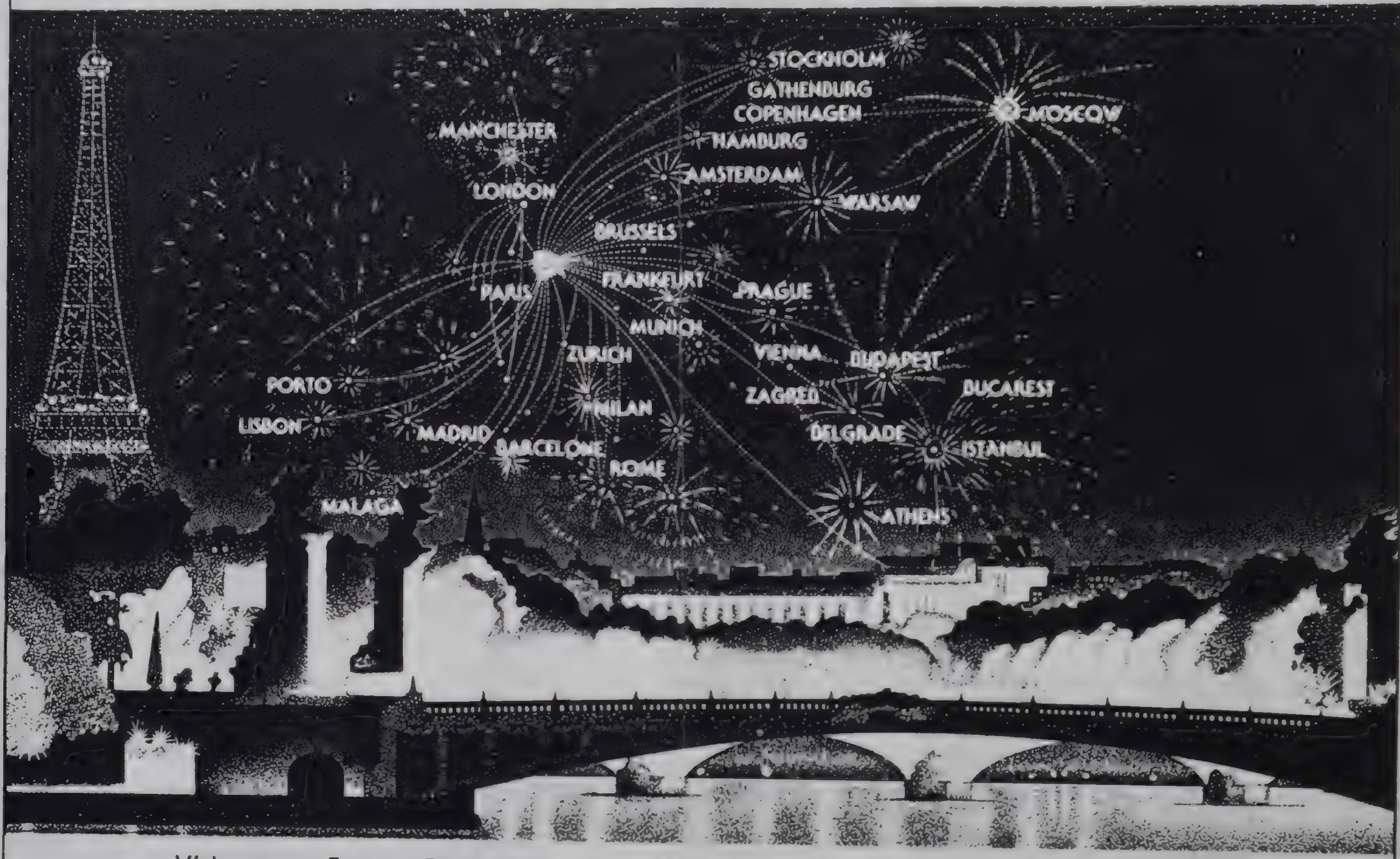

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Khichri politics goes berserk

THE SPOTLIGHT on the power crisis has shifted to New Delhi and the Hindi belt from Calcutta and West Bengal, where that prince of darkness, Mr Jyoti Basu, and his administration (?) are at last trying to function at least in the penumbra of rationed electricity. The Janata bosses, however, seem headed towards a total eclipse of their credibility as a governing force in the politics or the public life of the nation. In the angry rejection of the emergency regime of Mrs Gandhi and her gang of four (Sanjay, Bansi, Barooah and as the fourth, that jackal-trio of Pranab-Om-Shukla) the electorate north of the Vindhyas had voted hopefully for what they thought was a viable alternative to the Congress party which Mrs Gandhi had raided and ravaged. She, to be sure, warned voters then that the Janata party was an unstable concoction, that they would be selling their political soul for a mess of *khichri* if they elected it to office. It must be some satisfaction to her that, for most of the two years it has been supposed to be governing the country, the Janata leadership has been doing its damnedest to prove her right.

Much of the goings-on in the Janata camps is no doubt plain crazy. But there is, surely, method in this madness. The fact is that the consensus of March, 1977 was the purest opportunism. There was the central fact that the Janata party had no truly national figure to lead it. Among the three contenders for the leadership, Mr Jagjivan Ram had still to work his passage and between Mr Morarji Desai and Mr Charan Singh, the party chose to risk the devil it knew. So the devil it did not know then has since been giving it nightmares.

Mr L.K. Advani has put his finger on this trouble. He told pressmen in Trivandrum last week that what really was creating problems for the Janata party was the refusal of the disruptionist elements to reconcile themselves to the leadership of Mr Desai. His reference, in this connection, to those who have publicly declared their readiness to join hands even with Mrs Gandhi and her son if that could help them split the Janata party readily identifies the Raj Narain faction as spearheading a movement to drive out the Jana Sangh constituent under the cover of a crusade to forge an anti-RSS front. But, how serious is Mr Advani in asking us to assume that Mr Chandra Shekhar is the man to be pleaded with to come to the aid of the party?

In March 1977, there were three Janata leaders, including Mr Desai, with prime ministerial ambitions. Now too there is the same number of aspirants for the post Mr Desai has come to hold. The addition is in the person of the president of the Janata party. Not many who have been watching Mr Chandra Shekhar's intra-party or inter-party diplomatic activities will share Mr Advani's advertised belief that the man who is now the Janata president has any special interest in holding the party together, apart from his calculations of where his own political fortunes may lie. Indeed, the less charitable among them would suggest that asking Mr Chandra Shekhar to help arrest disruption would be appealing to the wolf to save the sheep from the slaughter house, while the mere cynic may ask whether Mr Advani, knowing what the Jana Sangh constituent is up against, may not be thinking that even doubtful friends should be courted and cajoled as part of a tactical move against known enemies.

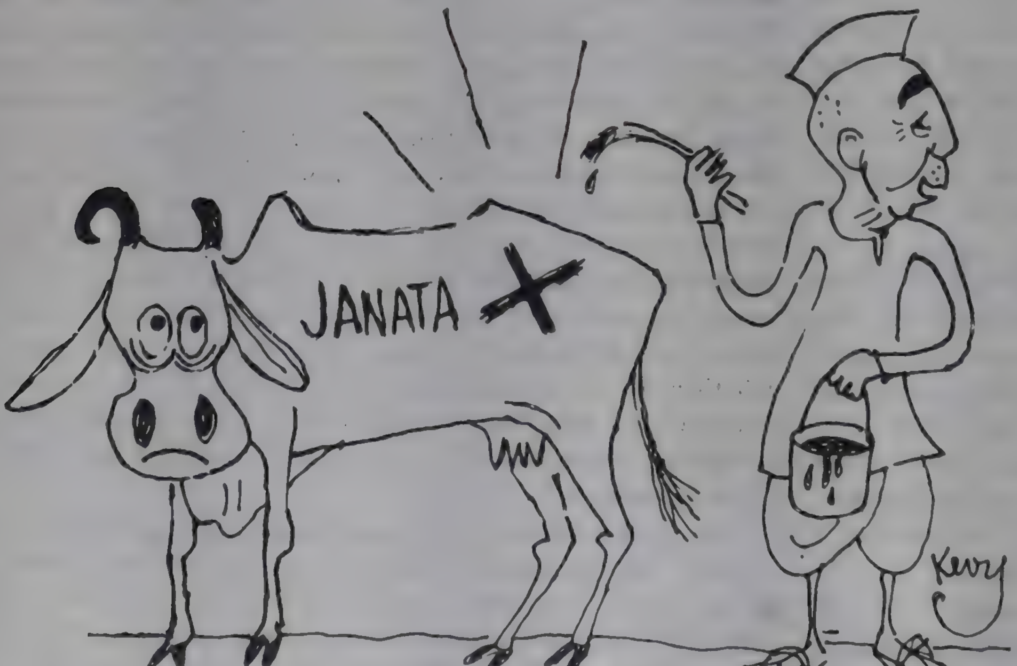
At any rate Mr Sunder Singh Bhandari is quite open about tactics. He has made it clear that since the battle lines are being drawn, the Jana Sangh constituent must find allies wherever it can if Mr Charan Singh's personal expectations for himself and political ambitions for his BLD base are to be contained. Specifically Mr Bhandari has suggested that the

Jana Sangh constituent should attempt to get together with the Congress(O) constituent. With Mr C.B. Gupta more active than ever in destabilising UP politics, the Bhandari approach has possibilities and these should be all the more tempting in the event of Mr Charan Singh insisting on using his cohorts in Bihar for a confrontation with the Ram Sunder Das ministry in his war of attrition against the Jana Sangh section of the Janata party.

In these circumstances Mr Desai's repeated assertion that the central government is stable and that the Janata party will survive could be meaningful and not merely mesmeric only if the warring factions could agree on spheres of influence. It is true that such deals have a high mortality rate, but, provided the infant in this case pulls through at least until the eve of the next general election, hopefully falling due in the normal course, the Janata adventure of March 1977 could be saved from ending up as a total misadventure. Not the least important result of a truce of this kind would be that the administrations—which are not the same thing as ministries—in UP, Bihar, Haryana and Himachal Pradesh would be able to give a little more time and thought at least to the routine business of government, seeing that it would be foolish to expect governments in these states to do more than this, such as, for instance, even attempting to work the Janata party's own programmes for serving the rural economy.

Will she? Won't she?

THE SOURING of Janata politics could conceivably help the process of sweetening the pill of Indira politics for our ailing polity provided Mrs Gandhi is not resolved to remain her own worst enemy. It is true, of course, that Mrs Tarakeshwari Sinha need not be taken more seriously than Dr Subramaniam Swamy, but she, like he, could occasionally have more than a nuisance value for their respective political bed-fellows. With her flair for melodrama she has successfully embarrassed Mrs Gandhi by entering a caveat against the re-energising of caucus politics. Mr Devraj Urs, whom Mr Chandra Shekhar is scheming to turn into a Sharad Pawar, however has his own ideas of how the game should be played—and he did play it skilfully at the AICC(I) session over the weekend. He naturally does not want Mrs Gandhi to take it for granted and it is even more important to him that he should not be seen as a sycophant at her court. This he could most effectively by demonstrating to l colleagues in the party that they cou rely on him to scotch any attempt revive the Sanjay cult and keep M Gandhi pinned down to her declaratio that she is not planning to further h controversial son's political career.



Marked for slaughter ?

It is possible that Mrs Gandhi herse is moderately pleased to have some one the importance of Mr Urs to play again the muscle-men around her who, if pe mitted, would form again, in Mrs Sinha colourful phrase "a ring of Saturn" rou Mrs Gandhi. As for Mr Chandra Shekha it is not going to be easy for him to off any strong enough incentive to Mr Urs change sides. After all the Karnatal chief minister is firmly in possession the turf at Bangalore and there may l no particular charm for him in playir number two to Mr Chandra Shekhar number one in some future governme at the centre.

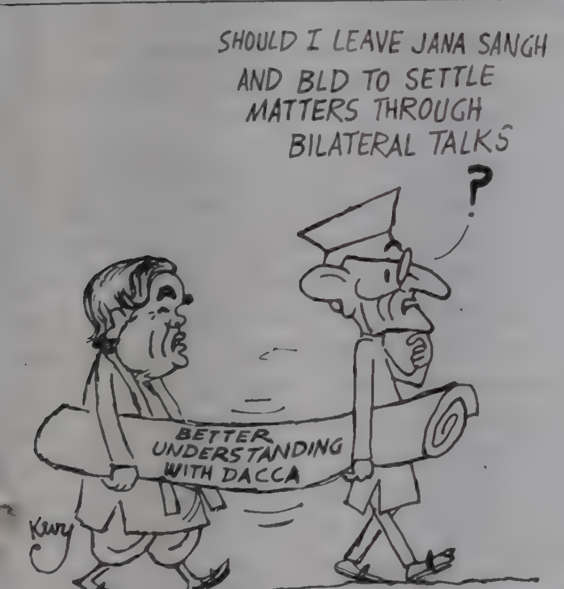
piteous performance

Meanwhile the proceedings of th working committee of the so-calle Swaran Singh Congress last week onl served to emphasize that group's dri towards a state of non-consequence whe current political tides are concerned. M Swaran Singh himself has piteously sai that "the phase of unity talks being ove we should take steps urgently to streng then and revitalize our party". This some hope. There is surely much mor reality in the pronouncement of Mr U that the Congress(I) should now drop th suffix. Ayodhya is where Rama is. M Gandhi has reminded us that her part has always been the Indian Nationa Congress. Mr S.K. Patil concurs. He ha explained that it is wrong to say that h has now moved to the Congress(I), sinc he has always been in Indian Nationa Congress which is also where he now i Things, no doubt, have a habit of simpl fying themselves for his benefit.

The AICC(I) session has indicated th grounds on which Mrs Gandhi propose to give battle to the Janata party government. While the brawn trust i her establishment will no doubt be prime to deal with the exigencies of her situa tion vis-a-vis the law of the land as it ma e administered by the special courts, she vidently intends deploying her more egitimate political forces on three fronts. here can no longer be any doubt that he will make the minorities the main ssue. With more than one faction in he Janata party spoiling to force the ssue of the legitimacy of the RSS in ational affairs and with Mr Jagjivan Ram and his following (which may not lways include Mr Bahuguna) being ensitive about the hardship or the handicaps which the Harijans may be labouring under, it should not be too difficult for Mrs Gandhi to create a sufficiently uncomfortable position for the Desai government.

On the economic situation again, with prices rising and ministers such as Mr Charan Singh and Mr George Fernandes in their different ways taking an unhealthy interest in divisive politics rather than in generating a consensus for orderly economic development, time, even in the short period, may well be on the side of Mrs Gandhi.

Finally, although the Desai government has a good record—a much better one than Mrs Gandhi—in cultivating relations of mutual trust and cooperation with neighbouring countries and their governments, the Janata foreign policy is not without its weak spots. Rightly or wrongly today's New Delhi is giving the impression, as Nehru's New Delhi did at the time of Krishna Menon and Mrs Gandhi's at the time of Mohan Kumaramangalam, of leaning too far towards the Soviet Union. There has undoubtedly been a rise in the level of diplomatic activity between the governments of the Soviet Union and India and the reasons for this may not be quite obvious to some of us. So long as there is an intriguing lack of clarity about the present fiss or fuss in the Moscow-New Delhi flirtations, Mrs Gandhi's attacks on the Janata foreign policy may well unsettle people's minds although not exactly in the manner she may have in mind when she, of all persons, chooses to dwell on the CIA connection.


SHOULD I LEAVE JANA SANGH AND BLD TO SETTLE MATTERS THROUGH BILATERAL TALKS
?
BETTER UNDERSTANDING WITH DACCA

Charan's small mercies

The deputy prime minister (F), introducing the Finance Bill, has conceded a few reliefs in respect of the proposed tax measures. This is in addition to the reliefs announced earlier with regard to the increases in some of the excise and customs duties initiated in the budget. Those concessions had involved a revenue sacrifice of about Rs 31.45 crores—approximately Rs 20 crores under excise levies and Rs 11.45 crores under customs. In his second instalment of concessions, announced on April 24, he has not only modified some of his excise proposals but also some relating to direct taxes. The loss of revenue resulting from these adjustments is estimated at Rs 16.29 crores.

The reliefs granted in excise levies this week include (i) the scaling down of the duty on household and laundry soaps from 15 to five per cent ad valorem, on low-priced toilet soaps from 12.5 to 10 per cent ad valorem and on other varieties of toilet soaps from 20 to 15 per cent ad valorem; (ii) the reduction in the levy on detergents from 20 to 15 per cent ad valorem; (iii) the bringing down of the consolidated basic plus additional excises on power-processed white cotton fabrics from 12 to 11 per cent ad valorem; and (iv) the restricting of the level of excise on the glass vials and ampules generally used for packing injectibles to the duty paid on the base glass out of which they are manufactured.

Among direct taxes, the most important modification effected is the restoration of the income-tax concession for capital gains. In his budget speech, Mr Charan Singh had withdrawn the exemption from income-tax for capital gains arising on transfers of long-term capital assets made after February 28, 1979, which was earlier available when the sale proceeds of the capital assets were reinvested within six months in shares, banks deposits, units of the Unit Trust of India and other preferred assets. The capital gains, he has now proposed, will qualify for exemption from income-tax provided the sale proceeds are invested within six months in seven-year National Rural Development Bonds bearing 7.5 per cent interest per annum. These bonds are proposed to be issued by the government shortly.

This modification, as Mr Charan Singh has himself stated, will involve some sacrifices on the part of the persons deriving capital gains, as the interest on the NRD bonds is 1.5 per cent lower than the maximum rate available on deposits with banks. The modified scheme, he hoped, would enable the government to mobilise some additional resources for rural development, a cause dear to it.

Another amendment has been made in the scheme of taxing capital gains in the light of the recommendations of the Chokshi committee. Under this amendment, the amount to be invested in the NRD bonds will be determined with reference to the net sale proceeds of the capital assets after deducting the expenditure incurred by the tax-payer in connection with the transfer thereof.

The other important modifications effected in the field of direct taxation are:

(i) The scope of the provision in the Income-tax Act concerning income arising from the separate property gifted to a Hindu Undivided Family by a member of the family is to be extended to cover all transfers made by an individual to his HUF otherwise than for adequate consideration. The Wealth Tax Act is to be correspondingly amended. The Finance Bill had sought to include the income arising from such property in the total income of the donor with a view to checking tax evasion by making gifts to HUFs.

(ii) The limit of the tax concession originally proposed in respect of profits and gains from growing mushrooms for exemption has been modified. The exemption will now be available only up to one-third of such profits or Rs 10,000, whichever is lower, as against one-third of such profits or Rs 10,000, whichever is higher, as proposed earlier.

(iii) The benefit of deduction in the computation of their taxable profits the amounts transferred by them to a special reserve account up to 40 per cent of the taxable income in the case of all approved financial corporations has been extended to approved public companies formed and registered in India with the main object of providing long-term finance for construction or purchase of residential houses in the country.

(iv) The benefit of deduction of income-tax at source at the concessional rate of 10 per cent, as against 24 per cent, which was earlier available to interest on right debentures by widely-held companies and certain other cases, has been extended to interest on all debentures issued by public companies listed with registered stock exchanges, local authorities, statutory corporations and also to interest on government securities payable to non-corporate resident tax-payers.

A specific amendment is being made in the Finance Bill to bring out the intention clearly that in cases where the spouse of an individual is a beneficiary under a trust and the trustee joins hands in partnership business with the individual, the income accruing to the trust from such partnership to the extent it is for the benefit of the spouse will be included in the total income of the individual.

As in the case of some excise duty concessions announced on March 16, the lowering of the incidence of excise on some varieties of soap has been more than the escalation proposed. This is because the additional duty leviable earlier, which was removed when the basic rate structure was revised upwards, has not been reimposed when the rate has been reduced.

Mr Charan Singh has turned down the various other pleas for reliefs in direct as well as indirect taxes. Mention needs be made here to two such pleas—the increase in the excise burden on petroleum products and the reduction in the exemption limit for tax-free clearances by small entrepreneurs in the case of products falling under item 68. No cut in the proposed increases in the excise duties on petroleum products, even kerosene, he has stressed, is warranted because of the hike effected by the oil exporting countries recently in the prices of crude oil. Some modifications in these duties, however, are still not ruled out as the government has yet to decide on how far the refineries should be allowed a price increase for their products to offset the increased cost of crude oil.

As regards excise-free or concessional excise clearances of the products of the small-scale industrial producers, aimed at providing an edge to them vis-a-vis the large manufacturers, the scheme he has proposed, Mr Charan Singh has pointed out, provides the small producers a benefit of Rs 1.8 lakhs per annum, as against Rs 1.5 lakhs available before the rate of excise on item 68 products was raised on February 28 to 8 per cent from 5 per cent.

Another significant pointer thrown out by Mr Charan Singh is that, in regard to the excise burden on low-priced cigarettes, he would watch the situation with a view to taking corrective action. The low-priced cigarette manufacturers, especially the smaller ones, had stressed that the uniform specific duty component in the excise structure proposed this year would adversely affect their business in relation to that of multi-brand producers.

Fernandes in the ring

No INDUSTRY minister, barring Mr Manubhai Shah, has more wantonly used statistics to seduce reason than Mr George Fernandes. Mr Manubhai Shah, however, had a head for figures, whereas with Mr Fernandes, it is merely a case of figures buzzing in the head. Especially when he is on the defensive, Mr Fernandes squirts percentages at his critics, imitating the tactics of a certain odoriferous animal. This was broadly what happened when the Industry minister took a good deal of the time of Lok Sabha last week for his reply to the debate on th demands for his ministry.

For all his widely admired bravura M Fernandes is a sensitive soul, easily hur When, last year, he was trumpeting quit prematurely that industrial productio would rise by eight per cent in 1978, som of those who were wiser to the ways o the economy than he, naturally advise him in all good faith to hold his peac until there were surer signs of improvement in the basic industrial situation This necessary admonition seems to hav been rankling in his mind. At any rate he devoted a good part of his speech t dramatising the recovery of industrial production last year and, in the process sneered at commentators in the press who had cautioned him that it would b safe to entertain expectations of increase industrial production only in the even of some recognizable improvement in th condition of power supply and industria relations.

quixotic quibbling

His special scorn, however, was reserved for Mr R. Venkataraman (on the opposition benches) who, as a very successful minister for Industries in Tamil Nadu during a period when that region really blossomed on the industrial landscape, was obviously not lacking in the authority needed for making a valid assessment o industrial trends. Mr Venkataraman had suggested that an increase in electricity generation, recorded in the rise of 13 per cent in the relevant index, had been responsible for the greater part of the eight per cent growth in industrial production last year. This was the signal for Mr Fernandes indulging in some quixotic quibbling.

He asked Mr Venkataraman whether it was his contention that more than half o the increase in the industrial production index was to be attributed to the advance in the power generation index. Mr Venkataraman obviously was not implying anything like this. What he was trying to make Mr Fernandes admit was that the single factor of power generation recapturing or advancing beyond the ground lost earlier, had made a sizable contribution towards increased utilization o capacity in a large number of industries.

he production of which had been affected previously by the constraints on power supply. It is indeed strange that a minister who was called upon to deal with the entire range of a long discussion of the state of the industrial economy and the performance of the Industry ministry should have spent so much time in such futile debating.

mere tub-thumping

The government's own Economic Survey for 1978-79 mentions power shortage as one of the significant factors "responsible for the general setback in industrial production during 1977-78", when the index had risen by only 3.9 per cent. Is it then illogical or unreasonable to say that the considerable recovery in power generation in the following year had played a large part in pushing up the industrial production index at a faster rate? Power, to borrow a favourite artefact of Mr Fernandes himself, is not just brassieres. If the output of brassieres were included in the industrial production measured by the index, it would of course be broadly right to say that its influence on the aggregate would be limited to its own individual specific index. But, just as when irrigation increases, the effect of this increase is felt all over the agricultural economy, when power supply increases, the impact is also industrywide. No wonder Mrs Parvathi Krishnan was moved to demand that the minister desist "from tub-thumping of which, of course, he has made sufficient exhibition today".

After all, what is the substance of the big claim which the Industry minister is making when he asserts that the present government has jacked up the industrial economy during its second year in office? To quote the Economic Survey again, "the rate of growth of industrial production for 1977-78 is estimated at 3.9 per cent, which was not unduly low in view of the fact that it was achieved on top of a 9.5 per cent growth rate during 1976-77". By the same token a rate of growth of industrial production of eight per cent in 1978-79 cannot be regarded as a remarkable performance seeing that it had come in the wake of a very modest 3.9 per cent growth rate in the first year of this government.

In any case, it does not behove the minister to exploit a simple recovery in industrial production for the misleading purpose of making it appear that the industrial economy has reached out to a higher plateau and is now headed for the stars. As the Economic Survey has pointed out, most of the industries in which there were production gains last year were exactly those industries in which output levels had been depressed in the previous year. Apart from improved power generation, what had pulled up industrial production last year was the recovery in demand that had been of particular benefit to those industries which had earlier suffered most from a recession. The expansion in demand was clearly related to the growth in money supply which again was a product of the higher levels of rise in public expenditure from year to year, financed by large budgetary deficits. In these circumstances a responsible Industry minister should at least have made an attempt to tell parliament and the public to view the industrial outlook in perspective. In particular Mr Fernandes should have explained how the government proposed to tackle the twin problems of emerging shortages at several points of industrial production and the mounting threat of a high-cost industrial structure. Especially when a ministry sets out to ask for public funds for the year ahead, it is not enough for its minister to dwell merely on what he claims he has been able to do last year, for he must in addition also bind himself to criteria of performance in the coming year. This is a simple case of propriety—no more and no less. No wonder he was continuously interrupted by several MPs who has spoken on the demands and were sore that he had ignored or merely talked round the issues raised by them.

No joy of numbers

TWO DAYS were taken up by members of Lok Sabha, who spoke on demands for grants of the Industry ministry. Mr Fernandes took more than an hour and a half on the third day for his reply. The speaker was edgy since the house was being pressed for time and towards the end he kept saying that the house should

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move on to discuss the demands of another important ministry, which he said was the ministry of Commerce, Civil Supplies and Cooperation. Just as some men are more equal then other men, some ministries are presumably more important than others. In any case, discussion on the demands for grants of the Health ministry as also the discussions on the demands of certain other ministries had to be cut short for lack of time. The Health ministry is not by any means an unimportant ministry. People may be as much interested in the fortunes of the rural health plan as in the affairs of the district industrial centres on which Mr Fernandes, when he got the opportunity, had dilated at length.

in bad health

More than this, the Health ministry is also the ministry for Family Welfare, which is a matter of overriding national importance. It is indeed a pity that Lok Sabha could not devote some attention to problems in this area when the demands of the Health ministry came up. Surely this lapse must be remedied during the current session of parliament and a couple of days allotted in both houses for informed discussion of the real progress made by the present government with the family planning programme, The Raj Narain *interregnum* was unsettling in many ways. Has Mr Rabi Ray been able to get his bearings ? Does he know where he must go and how ? These are anxious questions. As a minister he is still largely an unknown quantity.

Here a reference to a Delhi Doordarshan programme telecast earlier this week may not be irrelevant. Shakuntala Devi, the celebrity who does impossible things with numbers, was interviewed after she had given her usual demonstration of her remarkable and mystifying talent. She disarmingly said that she resented being described as human computer because she prided herself on being a genuine and a total human being. It appears that she is one of eight children of a poor family which lost four of its children to malnutrition or other diseases of poverty. This history of deprivation, according to her, had not made her bitter, but had certainly left her angry. Her anger, she said, became an unbearable affliction whenever she returns from one of her foreign tours and finds the destitution stalking the land of her birth as intensive and extensive as ever. She spoke with biting sarcasm of the International Year of the Child and scorned it as a petty and not-so-pretty excuse for society women to stage their coffee parties without a sense of guilt.

On being asked what she thought could be done to improve the lot of the children of the poor, she said that, if she were the prime minister, she would give top priority to family planning. She drew a horrifying picture of a future when there would be Indians, Indians everywhere and nobody left to love them, in the event of something not being done soon to check our population growth effectively. She argued that it was not colour prejudice but a certain disgust with our excessive breeding which provoked people in some western countries to look down upon Indians. She spoke of her experience in Frankfurt where a taxi driver told her that he did not ordinarily accept Indians as passengers because he was alienated by India's failure to control the growth of population. He complained that, if people in an affluent country such as West Germany could opt for a low birth-rate, which even threatens the country with prospects of a declining population, the people of a poor country such as India had no business to go on adding to their numbers. Shakuntala Devi, who is now in this country to promote her recent book "Figuring: The Joy of Numbers", made it brutally plain that she took no pride or joy in India's numbers.

Will steel deliver ?

IN SPITE of the eight per cent cutback announced a few days ago in coke-oven pushings at the integrated steel works during the three months to June, which undoubtedly will reduce the output of steel at these plants correspondingly because of the reduced availability of gas for reheating furnaces, the ministry of Steel and Mines has held out a promise that the overall availability of this metal this year will be increased by about 20 per cent over the last year's level. The demand is expected to go up by 15 to 20 per cent.

The annual report of the ministry observes that the production of saleable mild steel at the integrated works, which suffered a setback from 6.89 million tonnes in 1977-78 to 6.56 million tonnes last year, is targetted to be raised this year to 7.4 million tonnes, marking an increase of 12.8 per cent over the last year. In terms of ingots, the output fell last year by three per cent to 8.13 million tonnes. It is envisaged to be raised this year by 15 per cent to 9.35 million tonnes. The pig iron output is proposed to be stepped up by about 11 per cent to 1.62 million tonnes from 1.46 million tonnes during the last two years. The production of alloy and tools steel, which improved from 304,000 tonnes in 1977-78 to 400,000 tonnes last year, is likely to go up further this year, though no target has been mentioned.

the setback

The setback to mild steel output last year has been attributed to three main factors, namely, (i) inadequacies of coking coal and ash content in these supplies going up to 20/21 per cent; (ii) lack of steady and adequate supply of power; and (iii) unsatisfactory industrial relations. A production loss of 650,000 tonnes of saleable steel is estimated to have been caused by these reasons. Had it not been there, the output at the integrated works would have exceeded the 1977-78 level.

To some extent the loss of output at the integrated works was compensated last year by increased yields from the arc furnaces, popularly known as mini steel plants. Around 1.5 million tonnes, this output exceeded the previous year's production of 0.96 million tonnes by 60 per cent. This output too would have gone up more significantly had there not been power cuts and difficulties in the availability of scrap.

As a sequel to tightening supplies from indigenous sources, not only imports of such categories of steel as structurals, plates, hot-rolled and cold-rolled coils and sheets were stepped up last year significantly, but also exports were reduced. No fresh export commitments were entered into; whatever exports took place, they were in fulfilment of the past orders.

Exports during the nine months to December last were estimated at 424,003 tonnes of mild steel and 190,220 tonnes of pig iron, valued at Rs 85.46 crores and Rs 14.27 crores, respectively, as against 1,108,011 tonnes of mild steel and 691,891 tonnes of pig iron, valued at Rs 186.21 crores and Rs 45.19 crores, respectively, in the whole of 1977-78. Imports were raised to 817,000 tonnes from just about half this level in 1977-78. But 469,000 tonnes were imported to build up a buffer stock.

production target

The 20 per cent increase in the availability of steel this year takes into account the production targets fixed for the integrated plants, the likely output of slightly more than 1.5 million tonnes from arc furnaces and the net planned imports.

The optimism about the increase in production this year is based upon normal industrial relations and adequate coal and power supplies. The bulk of the one million tonnes of coking coal imports are expected to be available this year; just a small portion of these imports arrived in the country last year.

Adequate coal and power supplies, however, are a big question mark in view of the recent developments in eastern India where the generation of electricity as well as the production and movement of coking coal have suffered because of various factors. More particularly, the movement has been upset because of the inadequacies of wagons and wildcat strikes on certain sections of the railways. It remains to be seen whether the wagons supply will improve commensurably this year. The turnround of wagons is getting elongated and bulk of the wheel sets requirements have to be met through imports. It passes comprehension why large imports of wheel sets should be taken resort to. They can be significantly reduced if the indigenous producers are provided remunerative prices which will be much lower than the landed cost of imports.

The threatened strike of coal miners next month, if a satisfactory solution is not found to their demands, which include wage escalation, is another disturbing factor to be contended with. The power supply position, however, may improve somewhat as the additions to capacity last year around 3,000 MW have been much more significant than in the past, even though slightly more than one-third of this additional capacity accrued in March. The generation capacity is expected to be increased further by about 3,500 MW this year. But on the power front too much will depend whether the railways are able to fully cater for the coal requirements of the thermal plants.

A concerted effort to obviate a major contraint on the output of mini steel plants—availability of scrap—has been launched recently. The Metal Scrap Trading Corporation has been asked to acquire old ships for breaking up. Since November last, when this decision was taken, four ships have already been obtained and are being broken up at different ports. The availability of Indian ships for breaking also has increased.

Oil price hike

FURTHER SIGNIFICANT increasees in the prices of petroleum products are likely to be effected shortly. A clear indication of this was available from the observations made by the minister for Petroleum and Chemical, Mr H.N. Bahuguna, in a television programme this week, notwithstanding the fact that in his reply to the Lok Sabha debate on the budgetary demands of his ministry, he had said that the nation could hear from the deputy prime minister and minister for Finance very soon some "good news" in this regard.

Mr Bahuguna clarified in the telecast that the increases proposed in the excise duties on some petroleum products in this year's budget were only a fiscal measure aimed at curbing consumption of the concerned products and containing the deficit in the budget. The additional burden cast on the nation by the recent hike in the prices of crude oil effected by the oil exporting countries had yet to be reflected in the prices of the refined products.

Originally after the five per cent increase in the crude oil prices announced by the OPEC on January 1, the import bill in regard to crude oil and petroleum products was expected to go up by Rs 350 crores. The further fairly sharp step-up not only in the basic prices of crude oil but also the imposition of a surcharge on the basic prices with effect from April 1 is likely to raise this burden by another Rs 150 crores. The refineries obviously are not in a position to absorb any significant portion of this Rs 500 crores burden. If their profitability has to be ensured, the prices of refined products have to be raised. Exercises in this regard are understood to be nearing completion.

finding substitutes

Mr Bahuguna has stressed rightly, both in the telecast and in his reply to the Lok Sabha debate, that serious efforts need to be directed towards the replacement of some of the uses of crude oil. Oil as fuel will have to be replaced steadily by other forms of energy, particularly coal and nuclear power and in the longer-run by solar, geo-thermal, geo-physical, tidal and wind energy.

This year's import requirements of crude oil and petroleum products, estimated around 16.5 million tonnes and 4.1 million tonnes, respectively, have been practically tied up, the latest development in this respect being the offer of Algeria to make available one million tonnes of crude oil. The likely resumption of imports from Iran, even if they are modest, will take care of whatever small deficit might occur on the import front. As already mentioned in this journal a couple of weeks ago, Iraq, Abu Dhabi and the Soviet Union have agreed to provide larger-than-usual supplies of both crude oil and such deficit products as kerosene, naphtha and diesel oil. Normal supplies from Saudi Arabia and Kuwait are expected to continue. Libya too has promised to make available two million tonnes of crude oil.

The domestic crude oil production this year is expected to be raised to slightly more than 13 million tonnes from 12.3

million tonnes last year. By 1982-83, it will go up to 18 million tonnes as targetted.

As the proven reserves of crude oil are estimated only around 310 million tonnes, the exploration activity, Mr Bahuguna has assured, is being intensified both in the on-shore and the off-shore areas. After the monsoons, work in off-shore areas is proposed to be spread over six blocks in the Arabian sea as well as the Bay of Bengal.

Mr Bahuguna has also revealed that he has asked the state governments to make effective arrangements for an equitable distribution of petroleum products in their areas according to the circumstances prevailing there and the state priorities. Rationing of some products, informal or statutory, cannot be ruled out, although for the time being effective enforcement of the Essential Commodities Act is envisaged.

tight position

What would be available to the states, particularly in respect of kerosene and diesel oil, it has been brought to their notice, will be around the last year's levels plus five per cent. The world supply situation, Mr Bahuguna has observed, is likely to tighten up further as some oil exporting countries, particularly Iran, may effect cuts in output, instead of raising production. Most of the oil exporting countries have announced surcharges on the basic prices of crude oil, the latest to join their ranks being Iran which has gone in for a ten per cent surcharge. Saudi Arabia and the USSR are the two major countries of interest to India which have not yet proposed any surcharge on the basic price.

The recent communication from the prime minister to the chief ministers of states to effect a 15 per cent cut in the governmental consumption of petroleum products, it is understood, is being pursued. Some state governments have already assured the centre that they will comply with this directive. The Bureau of Public Sector Undertakings also has initiated measures to contain the consumption of petroleum products by these enterprises. Steps have as well been intensified to effect savings in the use of oil as fuel by industry and for electricity generation purposes. The major fertiliser projects in the near future are being planned on natural gas as feedstock. The use of coal for this purpose is expected to be encouraged. A firm decision in this regard, however, will be taken in the light of the experience as the two coal-based fertiliser plants currently nearing completion in Andhra Pradesh and Orissa.

Gold at new peak

THOUGH NOT unexpected, the scaling of a new peak of Rs 1,000 per 10 grammes by standard gold last week was an important development. Profit-taking at this level brought down the price slightly, but the undertone continued to be firm, with the price level having advanced by about Rs 850 per 10 grammes since the beginning of the year.

The sharp uptrend has been caused by various factors : (i) firmness in the international price, which last week ranged around $235 per five ounces; (ii) the weakening of the rupee vis-a-vis the pound-sterling and the dollar; and (iii) the continuing marriage season demand in the face of tight supplies. The current inflationary tendencies in the economy too have been a bullish factor. Proof of this is that notwithstanding the ban imposed on exports of silver in February, the price of this metal too has started going up after a setback from an all-time high of Rs 1,975 per kg in the middle of February to around Rs 1,720 a kg in early March.

In line with the uptrend in world prices, the sales of gold by the government, which at present are confined to industrial uses and against exports of jewellery, are being effected at enhanced rates. Gold for industrial uses is made available out of the output of the Hooti gold mines and the by-product yield from the silver refineries. Some gold is also imported against jewellery exports. The production from the Kolar gold mines and Hindustan Copper (as a by-product) is taken over by the government. No data is available of what portion of this output is released for industrial uses or jewellery export purposes.

The gold and silver prices, though of not much significance in themselves in so far as the general public is concerned, except when the two commodities have to be purchased for marriage purposes or as a hedge against inflation, undoubtedly, have a tremendous psychological impact, the significance of which probably is not fully appreciated.

A high-powered committee under the chairmanship of the governor of Reserve Bank, Mr I.G. Patel, was appointed several months ago—soon after the suspension of gold sales on auction-cum-tender basis in October—to review the gold policy in all its aspects and make appropriate recommendations as early as possible. The report of this committee is awaited. The sale of gold by the government through the 14 auctions held by the Reserve Bank up to October 26, 1978, augmented the supply in the market by 12,956 tonnes.

salutary effect

This had a salutary effect on the smuggling of gold. If smuggling is to be contained, the availability of the metal in the market has to be strengthened. The current marriage season is expected to continue till the middle of next month. But then there is bound to emerge a good demand from agriculturists in north India as a result of the sale of the recent rabi crop. An early report from the Patel committee and expeditious action in the light of its recommendations are urgently called for so that some rationalisation can be brought about in the bullion market.

Government sales last year fetched Rs 86.5 crores and had some mitigating effect on the inflationary impact of the budgetary deficit. This year's deficit too is of such a magnitude as to exert a powerful influence on the price level. The president of the Bombay Bullion Association, Mr A.G. Sonawala, has expressed the view that gold supplies need to be augmented by nearly 50 tonnes per annum. Imports, he has suggested, ought to be effected to the extent of 35-40 tonnes. The profit from these imports could help in bridging the deficit in the central budget, besides curbing smuggling.

Correction

In the biodata of Mr C. Subramaniam given on page 816 of *Eastern Economist* dated April 20, the date of his birth should read January 30, 1910.

Window on the world

GATT is well, thank you

THE WESTERN world, which has been tormenting itself with protectionist anxieties and fears of its own making, had heaved a sigh of relief when trade negotiators, representing nations accounting for more than 90 per cent of world trade, initialled on April 12 in Geneva the "final substantive results" of the Tokyo Round of international trade talks in which 99 countries had participated. Since then the various governments have been busy counting their respective chicken in preparation for the June 30 deadline for establishing schedules making their agreed tariff concessions legally binding.

Meanwhile, the North-South dialogue has been given the hiccups. It has been confirmed that GATT remains the club for the "haves" in international trade, with the "have-nots" left out in the cold. Only Argentina among the developing countries has put its name to the documents, although the Yugoslav delegate was heard suggesting hopefully that some of the loose ends could still be tied up to the satisfaction of the developing countries before the Geneva package was finally signed, sealed and delivered, probably in October. At stake are the prospects of a compromise between the industrial economies and the developing countries on the issue posed by the claims made by the former for "safeguard measures against disruptive imports".

A broad assessment of the Geneva package amounts to this that tariffs may be reduced by about one-third on around $140 billion worth of world trade in industrial products for the next eight years. Total world trade last year amounted to twice that amount. The average cut in US tariffs would be between 31 and 32 per cent and in Japanese tariffs in the neighbourhood of 25 per cent. The most important reductions are concentrated on non-electrical machinery, wood products, chemicals and transport equipment. Cuts in tariffs on textiles and leather, however, would be below average. The tariff concessions will go into effect on January 1, 1980.

There is a general feeling that the Carter administration has been on the whole well rewarded for its initiatives in pressing on with the Tokyo Round. Concessions obtained by the US in bilateral deals with most negotiating partners could range up to about 40 per cent. A study prepared for the US Congress concedes that the most important economic gains from the negotiations are "difficult to quantify" and proceeds to emphasize the overriding "negative" benefit, which is that the agreement reached on some rules for international trade is necessary for avoiding the general return of more restrictive trade policies. A more dramatic reaction in official Washington holds that "without this negotiation, we would soon be in a trade-war, starting with the European Community over countervailing duties".

On a more prosaic level, US trade officials expect that the tariff cuts alone could generate an estimated 1,000 million to 2,000 million dollars in additional US exports a year. Several thousand million more dollars' worth, it is hoped, could be realised through the major non-tariff codes. The congressional study paper says that the principal US firms and workers that will face increased competition will include those producing footwear, leather products other than shoes, steel products, radios and television sets and jewellery. The paper identifies the principal US "winners" as industries that "exploit highly sophisticated or recently developed technology or that process US agricultural commodities, including industries manufacturing tobacco products, semi-conductors, computing machines, office machines, mechanised measuring devices of electrical components, aircraft and aircraft equipment". It is also believed that consumers particularly in the 22 industrial nations which have initialled the Geneva agreement could reap substantial economic gains through lower prices for imports.

Bread for the orphan

Long the "orphan" of previous trade negotiations, agriculture this time scored some major gains that will mean savings of potentially millions of dollars for consumers around the world.

The European Community, for instance, removed its variable levy on beef, which will save consumers there the equivalent of about 0.90 US dollar per kilo, according to the officials.

Japanese imports of low-priced foreign beef are expected to grow significantly, from less than 7,000 tons a year in 1976 to more than 30,000 tons by 1983.

Japan and the European Community both agreed to lower their duties on imported poultry and eggs, making those products "quite a bit cheaper" to their consumers and benefitting producers in the Philippines, Indonesia, the United States, and other exporting nations, say the officials.

The worldwide trade in fruit and vegetables will also be greatly enlarged as a result of duty concessions agreed to at Geneva. Japan's imports of citrus fruit alone is expected to increase from 15,000 tons in 1976 to 82,000 tons four years from now.

Of significance also was the agreement on the so-called "subsidies code". This will tighten up existing rules which restrain governments from paying export subsidies to domestic industries thus permitting them to undersell foreign competitors. Agriculture has been one of the big victims of the practice, which will be reduced considerably under the new code.

Of particular importance is the effect on competition in third markets. The United States, for instance, has often in the past found that its agricultural products were being pushed out of third countries by subsidised products from elsewhere.

The "standards" code adopted at Geneva also will have an impact on agricultural trade. The code is expected to cut down on the practice of some governments of adopting arbitrary standards, which often discriminated against imports and effectively kept them out.

For instance, Japan had banned a preservative which US exporters spray on fruit to keep them fresh in transit. Without it the fruit would rot. After many months of negotiations, US officials say they convinced Japan that the preservative was perfectly safe, and the standard outlawing it was removed.

Standards impede trade because they are often invisible, US officials say. In many countries there is no procedure to inform all exporters of standards or to permit exporters to testify in public hearings before the standards are applied. This will be much less a barrier to trade in the future as a result of the Geneva pact.

In some cases tariffs and import quotas were negotiated downward. The United States, for instance, agreed to raise the ceiling on its cheese imports by 13 per cent. The agreement came over the strong protests of the US dairy industry.

The European Community also agreed to end its discrimination against US long-grain rice. It will now be treated in the same way as domestic round-grain rice.

There was little liberalization in such sensitive commodities as wheat and soybean. Although of no immediate advantage, US officials believe that the agreement could prove very significant in the future by giving assurance that duties will not be imposed later.

Conduct codes, hopefully

The keystones of the Tokyo Round are the new non-tariff measure (NTM) codes of conduct, which will bring the practices of governments more into line with openness of public procedures, public access to information about governmental actions, and due process for the resolution of disputes. These new NTM agreements provide specifically the following:

—The code on subsidies and countervailing duties promises new international discipline for the first time under the GATT over agricultural as well as industrial subsidies, and over domestic subsidies that distort historic trade patterns, as well as barring the use of direct export subsidies.

—The code on government procurement could open up as much as 20,000 million dollars a year in foreign government purchasing markets now closed to US exports, while at the same time preserving US preferences for defence, small and minority business contract set-asides and purchases from countries such as Japan, which have not agreed to open their markets to the extent of other nations adopting the code.

removing hidden barriers

—The standards code would assure that other countries move toward a system of openness in drafting product standard-setting procedures, and would reduce their use as hidden non-tariff barriers to trade through general guidelines and effective international enforcement procedures.

—The code on import licensing would reduce this frequent bar to exports, particularly in developing countries.

—The customs valuation code would bring greater uniformity to the basis on which all imports are assessed, while assuring that changes from current US valuation methods with respect to American selling price (ASP) and wine/gallon-proof/gallon will not seriously impact US producers of benzenoid chemicals, rubber footwear or distilled spirits.

—The aircraft agreement establishes an international framework governing conduct of trade in civil aircraft, promising new opportunities in this important export sector.

—The agreement on steel should help resolve through international cooperation some of the structural problems that disadvantage the industry.

—A general agreement on agriculture will apply existing GATT procedures more equitably to agricultural trade, providing exporters with a better forum for dispute settlement. Arrangements covering meat and dairy trade would bring more stability to these important export markets, at the same time preserving vital domestic beef and cheese markets.

Tariff concessions

AGRICULTURE WOULD benefit significantly from tariff agreements, which would open up new markets for agricultural exports, for example, foreign concessions that have been negotiated would offer increased export opportunities for the following:

(1) Agricultural product exports to Europe, Japan, Canada, and some LDCs (less developed countries);

(2) Meat exports, including beef and poultry, to Europe, Japan, Canada, and some LDCs;

(3) Tobacco exports to Europe, Canada, and Australia;

(4) Fruit exports to Europe, Japan, and some LDCs;

(5) Vegetable exports to Europe, Japan, and some LDCs;

(6) Wine exports to Japan, and Canada;

(7) Oilseed exports to Europe, Japan, Canada, and some LDCs; and

(8) Nut exports to Europe, Japan, and some LDCs.

The NTM agreements would also result in industrial tariff cuts averaging around 30 per cent, spread over an eight to 10-year phase-in period. While these tariff cuts are somewhat less important than the agreements on non-tariff barriers and on agricultural trade, they would nevertheless contribute to a more equitable trading relationship with major trading partners. The tariff concessions that have been negotiated would;

—Reduce tariff disparities with Canada in export-oriented industries such as paper, computers, photographic equipment, and aerospace equipment;

—Eliminate overall tariff disparity on dutiable trade with Japan from 4.3 points (US 6.8 per cent, Japan 11.5 per cent) to 0.6 points the other way (US 4.6 per cent, Japan 4.0 per cent). If duty-free as well as dutiable trade is accounted, Japan will have a 2.4-per cent lower average tariff than the United States (US 4.6 per cent, Japan 2.2 per cent);

—Substantially reduce Japanese tariffs on computers, colour film, paper, and semiconductors;

—Decrease the level of preference inherent in the growing free trade area in Europe, through substantial reduction of European duties;

—Reduce the average trade impact of Canada's machinery programme and made/not made in Canada provisions, which can lead to substantial increases in applied Canadian tariffs on short notice.

Although only Argentina has initialled the agreement so far, there is not much doubt about other developing countries such as India, Brazil, Pakistan, Egypt and South Korea going in too. However, the final decisions of many of the developing countries will be guided both by the extent to which industrial countries are prepared to dilute their claims for safeguards against "disruptive imports" and by the direction that discussions may take at the UNCTAD conference scheduled for next month in Manila.

Afghan headaches

EXACTLY A year ago on April 27, 1978, Afghanistan was proclaimed a democratic republic and a government was formed under the leadership of Nur Mohammed Taraki. This government announced that it would work to reduce social and economic inequalities and extend democracy to all spheres of life. It also pledged itself not to offend religious feelings or encroach on the freedom of the citizens to observe the rites of their religion.

The Soviet news agency, Tass, however, admitted last week that fierce fighting has been going on between military units of the present administration and "bandit groupings" in Afghanistan. It has stated that the savage counter-revolutionary onslaught has been repulsed. The report said "Towards the middle of March this year several thousand rebels, provocateurs and bandits seized army barracks, the arsenal and foodstores in Herat, the country's third biggest city." The report continued: "In Kunar province a band of terrorists engaged army units in an exchange of fire. An attempt to organize anti-government riots was made in the district centre of Farkhar in Takhar province. Armed bands numbering several thousand, according to local press reports, and possessing large amounts of weapons and money broke into Afghanistan from neighbouring countries in the west and south."

One of the most active groups in Afghanistan against the present regime is the Muslim Brotherhood which has its supporters in other eastern countries. The Muslim Brotherhood seeks to influence the faithful and arouse the religious feelings of traditional Afghan Muslims, who feel that social and economic reforms conflict with the "traditions and customs" of Islam. Collaborating with this group is the pro-Maoist extremists Shoeley Djawid (Eternal Flame) group set up during the latter half of the 1960s.

the dark horse

It was chiefly to Pakistan, and also to Iran, that the Afghans who were faithful to Mohammed Daud, had fled. Miagul Jan Agha, a prominent Muslim leader of Afghanistan, had trekked across mountains and hills from his village north of Kabul to reach Pakistan. His presence in Pakistan could be an embarrassment to Pakistan's military government. It already has on its hands tens of thousands of refugees who have left Afghanistan since the coup of last April. Miagul Jan Agha has declared that thousands more of his followers might join him in Pakistan as a result of his departure.

According to a recent broadcast by Radio Kabul, a large number of Pakistani troops crossed into Paktia in the guise of Afghans and suffered heavy losses when they tried to attack the police post. Pakistan's Foreign Affairs ministry, however, described the allegation as "preposterous". It pointed out that Pakistan had a policy of good neighbourliness and had not retaliated when Afghanistan shelled Pakistani territory, nor when its air force violated Pakistan's airspace.

Afghanistan has blamed Iran too. The dispute between the Islamic government of Iran and the present regime of Afghanistan took a formal diplomatic turn recently when Afghanistan demanded the removal of the Iranian consul-general in Herat within 48 hours. Herat is the western border centre of opposition led by Muslims against the government of Nur Mohammed Taraki. In retaliation the Iranian government asked for the removal of the senior Afghan diplomat in Tehran, a first secretary. Accusations made recently by Afghanistan that Iran had staged a military attack involving some 7,000 people on west Afghanistan was also denied by Iran.

"Free Lebanon"

THE ISRAELI-backed Christian military set-up in southern Lebanon has declared 'self-rule' and proclaimed a 'free Lebanon' state. The declaration came hours after the Christians shelled a Lebanese army unit as it joined UN peace-keepers in the area. "Our intention will be to liberate all Lebanon from all the invaders and all who are foreigners and who have had intentions against Lebanon, said militia leader Major Saad Haddad. The Christian militia contends that the Lebanese forces are heavily influenced by Syria, seen by the Christians as rivals for the control of the Lebanon. The Israelis and Lebanese Christians share the view that a Lebanese army supported by Syria may allow Palestinian guerilla infiltration of the area and might heighten tension there.

Israel has continued to block moves by the United Nations to deploy peace-keeping forces in the border area in southern Lebanon. The Israelis have conveyed their decision to the UN officials, who in turn relayed it to Lebanese officials and leaders of the Palestine Liberation Organisation. Israel's attitude has led to the suspension of plans to send soldiers of the UN peace-keeping force to the border strip which has been controlled by Israeli-supported Christian militiamen. Obviously, without any firm guarantees, Lebanese troops cannot be sent to the south. Christian militia leaders have not denied reports in the press that Israeli arms have been pouring into the Christian port of Jounieh. Deliveries reportedly include tanks and heavy guns.

The situation has threatened to cause added tension at a time when the Israeli-Egyptian peace agreement has caused considerable anger in the Arab Camp. About 30,000 Syrian troops in the Lebanon form the backbone of the Arab League force. Saudi Arabia and the United Arab Emirates provide 1,600 men, but nearly 1,000 Sudanese troops were withdrawn. In an attempt to avoid trouble president Elias Sarkis of Lebanon wanted the mandate for the force extended and sent the prime minister, Dr Selim Al Hoss, on a tour of Arab states. Mr Fuad Butros, the Foreign minister, went to France, Britain, West Germany, the Vatican and the US to enlist their assistance over what was called the Israeli threat to South Lebanon.

Towards the middle of October last year the Security Council met to consider proposals for ending the bloodshed in Beirut. President Carter had personally contacted the Soviet president and other world leaders. The security measures were intended to stabilise the ceasefire which had been in effect since early October 1978. As a part of the ceasefire there were minor withdrawals of Syrian forces from certain parts of the Christian quarters, but these forces continue to control positions in Christian east Beirut. Now the Israeli-supported Christian militia appears to have finally decided to keep all outside forces away from the area it controls.

Face-lift for Cedi

LAST MONTH the government of Ghana demonetised its existing currency by introducing a new currency. The move was designed to reduce excessive liquidity and was generally welcomed as a long overdue reform. However, those who had secreted millions of cedis (the currency of Ghana) in lockers in overseas banks throughout Europe were naturally greatly upset. The decision hit hard especially blackmarketeers (a majority of whom interestingly enough being women) who had hoarded their savings in currency packets to avoid accounting for them in regard to income-tax, price control and other "inconveniences". So that the demonetisation of the old currency could be effectively enforced the government probably closed all land, sea and air approaches thereby cutting off Ghana from the rest of the world. This was done on the evening of Friday, March 9, and it was then announced that when banks re-opened on the following Tuesday persons with old cedis would be allowed to convert them into new cedis at the rate of one old cedi equals 0.7 new cedi for the first 5,000 old cedis and at the rate of one old cedi equals 0.5 new cedi for the rest. Also conversion of cash beyond the first 5,000 old cedis had to be effected only into a bank account and people were required to fill in a declaration form as to the source of the currency. Money in bank accounts was not devalued at all.

inefficient handling

As so often happens with these exercises, the actual process of conversion was rather inefficiently organised with the result that, in the first four or five days ordinary people underwent untold hardships while many racketeers predictably employed people to queue up before banks to exchange currency, a technique commonly practised in such situations for concealing the identity of the actual holders of the currency tendered for conversion. Only after a week, the government hit upon the idea of using indelible ink (as is used in elections in our country) to mark the left thumb of each encasher so that he could not go again anywhere to exchange cash. Industrial enterprises, however, were allowed to organise the collection of cash belonging to workers and get them exchanged on behalf of them.

The operations connected with the demonetisation process lasted until March 26, when the old currency ceased to be legal tender. It was only after this that the airport was opened to international traffic. It has been estimated that the liquidity position has now been reduced by at least 30 per cent and the government is being advised to take steps to ensure that essential goods are imported in adequate quantities and distributed among the people since the demonetisation process has put blackmarket channels out of business and there has been dislocation of supplies. Provided the follow-up action is reasonably efficient, the

Ghanaian economy should improve considerably. Incidentally, the highest denomination of the old currency was 10 notes officially equivalent to $3.75, but unofficially priced at $1.00. As a result of the monetary reform carried out since then, the Ghanaian currency should be strengthened in its external value.

Spanish seesaw

WITHIN A period of one month, the Spanish electorate has exhibited political maturity which promises a stable democratic regime in this European country that has languished for several years under Franco's fascist regime. On March 1, Spaniards went to the polls to elect 350 deputies and 208 senators, nearly two years after the end of Franco dictatorship. Two main political groups, namely, the Union of the Democratic Centre and the Spanish Socialist Labour Party, were the principle contestants. The people of Spain gave an overwhelming support to the Union of Democratic Centre which already was running the provisional government. This government had adapted popular measures such as raising of pensions and providing additional funds for the development of the industrial sector. The UDC, therefore, captured 167 seats in the congress and 120 in the senate.

Although the Spanish Socialist Labour Party (SSLP) has a solid base in the country, it was not able to give a good performance. Possibly the image of the socialist groups as good administrators had not gone home. This situation has been reversed in the municipal elections held all over the country early this month. This time the SSLP has shown its strength in the urban areas. The Union of Democratic Centre claimed that in small and medium towns they have already shown a good record and out of 52 provincial capitals it has led in 30. The socialist groups have won convincingly in the big cities, including Madrid, Barcelona, Valencia, Saragossa and Valladolid. This in a way indicates that a two-party system might be emerging in Spain over the next few years.

It may be pointed out that the Spanish Socialist Labour Party has been able to win more votes in the cities because of unsatisfactory economic conditions. There has been a decline in the growth of industrial output and in the face of shortages prices of certain industrial products have been rising. Efforts to curb inflation have failed and during the previous year the country had a high level of inflation nearly 16 per cent. The number of unemployed has also continued to rise and has been recorded at the level of 7.7 per cent of the labour force. The National Industrial Institute has proposed to encourage investment with a view to creating jobs particularly for young people who account for the bulk of the unemployed.

Spain also hopes to solve its unemployment problem by joining the European Economic Community and its case was being discussed by the Nine. By and lareg the leading partners of the Economic Community are well inclined to include Spain in their fold because, apart from assuring a large market for the comparatively advanced industrial countries of Europe, they are interested in maintaining a democratic structure in Spain which might be assured by its membership of the EEC.

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Cover story

Trading with the world

Mr R. L. Gulati, Joint Director, Trade Fair Authority of India, has made an attempt here to survey comprehensively certain publicity activities directed towards promoting the foreign trade of the country. He has described the major trade fairs and exhibitions held in this country to promote contacts between Indian firms and markets abroad. Mr Gulati catalogues a number of guidelines and recommendations which Indian trade and industry could study with profit, since they may be of assistance to them in their taking advantage of trade fairs and exhibitions, held in India by the various government agencies or private sector associations, or similar events abroad, in which India may be participating at government or industry level.

To INITIATE and promote foreign trade, it is of major importance to a country that she must display her goods and products at trade fairs and exhibitions. Such activity should form part of any long-term sales planning, because fairs and exhibitions provide, at relatively small cost, opportunities for the introduction of new products on the market and also for the investigation of trade trends, consumer tastes and buying habits. It helps to establish contacts with importers or their business agents and to expand the sale of products already introduced. The primary purpose of taking part in fairs and exhibitions should definitely be that of business promotion rather than mere representation. Success can be expected particularly if preparations are made with care and in good time.

Gone are the days, if they ever were, when Indian businessmen could expect to be successful in selling their goods in the world market simply by dictating letters and sitting quietly in their offices. **Domestic and international competition now makes it a "must" for exporters to show their products to as many would-be customers as possible. Once initial contacts have been made with local firms by letter, personal visits or by using sample showroom facilities, the businessmen should study the possibilities of participation in trade fairs and exhibitions.** The list of fairs and exhibitions being held this year can be obtained from the Trade Fair Authority of India (TFAI) which came into being on March 1, 1977 with the merger of three organisations viz., Directorate of Exhibitions and Commercial Publicity, Indian Council of Trade Fairs and Exhibitions and the Trade Fair Organisation as a public sector undertaking, registered under Section 25 of the Companies Act 1956. The list of specialised trade fairs/exhibitions can also be obtained from the commodity boards and the export promotion councils functioning under the ministry of Commerce.

If you are participating in trade fairs and exhibitions, the first thing to be decided is who is to be reached: the consumer or the professional buyer specialising in certain lines of goods. In some countries, the distinction is made between trade fairs and exhibitions. Trade fairs usually feature the products of one or more industries. They may be visited only by business people. Sales are made on the basis of samples. No goods are sold directly at the stands. Exhibitions, on the other hand, are meant also for the general public. They provide opportunities to test consumer reactions. The selection of the fairs or exhibitions is determined also by the type and nature of the goods to be displayed. It is important to find out as to which event is most suitable to show a given line of goods. It is considered advisable to send an advance party to visit the fair, or exhibition under consideration and to establish local contacts before final decision is made. It is also necessary to draw an overall estimate of possible expenses well ahead. Fair or exhibition managements are in a position to advise on the costs likely to be incurred.

It goes without saying that the goods to be exhibited must be of high quality. In terms of price, design and packing they must meet the requirements of the market. Besides a steady supply must always be ensured. **It would be worth an exhibitor's while if preliminary contacts are established with importers with a view to finding out whether the products are competitive in the market or not. Past experience is a guide for us and proves that sales chances at fairs and exhibitions become better if contacts are established with businessmen by the exhibitors before hand.** It may seem elementary but it undoubtedly is essential that the selection should be made well in advance i.e. several months prior to the event in order to ensure regular supply of goods and to allow for transportation of schedules. Too many articles in one stand have a tiring and confusing effect on the visitors. It is therefore of paramount importance that only a limited number of promising goods should be displayed.

Transport agents are there to provide information about schedules of transportation. Customs formalities can also be entrusted to them. They will take care of such responsibilities at the customs' office where the event is held. Their task, of course, can be greatly facilitated if they are given an advance notice stating the kind, weight, volume and packing of the whole consignment as well as of the individual units.

It has been observed at many fairs that the participating countries try to build lavish and prestigeous stands. As a matter of fact, it would be better if the stand is so designed that it is not only presentable, but is also constructed in such a manner as to give prominence to the goods to be exhibited.

Successful participation in a fair largely depends on the composition and the qualification of the staff at the stand. It is, therefore, vital to choose the right type of people. They should not only have experience in the import and export fields and commercial matters in general, but should also be fully familiar with the technical details of the goods exhibited. If they are able to converse in the language of the country and are also well-informed about that country, it will go a long way in boosting the sales.

An equally important matter is to meet the wishes of the customers, journalists, delegations and visitors. They should all be individually and equally attended to and be given appropriate material. Great care will have to be taken in preparing promotional literature and advertising and information material as they contribute markedly to successful participation. It will be useful to have different types of material for different types of visitors. Professional buyers will want perhaps, pamphlets or catalogues, price lists and technical descriptions. The press, for instance, is interested in news items, photographs and press folders. The general public would, of course, want information of a more general kind. One point that should not be overlooked is to ensure that the exhibitor's name and products are listed in the fair catalogue.

The promotional literature should give details of the nature and use of the products concerned as well as the address of the manufacturer or the importer. **The texts should, in principle, be written in the language of the country concerned. Prices, measurements and weights should be cited in the country's own unit where the fair is being held.** It is also important to fix wholesale and retail prices taking into account any duties, taxes, commissions, etc., that may be payable. Delivery dates and quantities should be mentioned as well. Here, however, it should be borne in mind that the distribution of promotional literature is not the only method of boosting sales. Establishing contacts is just as important. This can be done by holding press conferences and receptions and by arranging discussions between specialists and by giving demonstrations. Such activities need to be planned in close collaboration with the fair and exhibition managements in order to ensure adequate attendance and to create a lasting impact.

Last but not the least is the follow-up action. It frequently happens that major orders are not placed until some time after the event. It is therefore necessary that the staff members should visit prospective customers and have discussions with them openly. This perhaps could go a long way in achieving many a gain.

While laying down the general guidelines that should be followed in any exhibition/fair, one's attention is obviously focussed on the Trade Fair Authority of India which, as has been mentioned earlier, was born on March 1, 1977. The broad objectives of this authority are to promote, organise and participate in industrial, trade and other fairs/exhibitions, set up showrooms and depots in India and abroad, and to undertake trading activities in commodities connected with or relating to such fairs and exhibitions with a view to developing India's exports of new items and diversfication and expansion of India's export trade. To project the many dimensions of the new India, the main emphasis in the authority's approach to the organisation of these fairs and exhibitions has been to create a general awareness of India's industrial growth, technical advancement and growing export potentialities since Independence and to underline how it has been tried to incorporate modern methods and practices with India's traditional way of life.

Having become conversant with the purposes of the Trade Fair Authority of India which organises every year a national exhibition and every alternate year an international exhibition in India, in addition to participating in trade fairs and exhibitions abroad, one is naturally tempted to know about its permanent exhibition complex which has recently been built up in a modern way. **This permanent exhibition complex in Pragati Maidan, New Delhi occupies an area of 48 hectares and a display area of 42,500 sq. mtrs. It has all basic infrastructural facilities—electricity, water supply, fire fighting equipment, telephones etc. A railway siding, a sprawling warehouse and**

customs clearance, are among other facilities. The main exhibition hall—the Hall of Nations—an architectural masterpiece, has a space framed structure with concrete technology attempted for the first time in the world. There is a number of other permanent structures including the Hall of Industries, permanent state government pavilions. "Hamasdhwani" the 4000 open-seat open-air theatre, "Shakuntalam" a closed auditorium, and the Village India Complex.

Besides in the capital, the Trade Fair Authority of India can organise trade fairs and exhibitions in other Indian states. Small mobile exhibitions could also be taken to rural areas right at the doorstep of the villagers.

Soon after the formation of the Trade Fair Authority of India, India's export policy took a new shape in tune with the national objectives. Domestic demands vis-a-vis external sales received primacy. Export of non-traditional and employment-oriented sectors gained preference. As a result the Trade Fair Authority of India organised national exhibitions within the country and also participated in world trade fairs in tune with these national priorities, details of which can be found in later columns.

The first national exposition organised by the Trade Fair Authority of India was the National Handloom Fair in April 1977 in New Delhi. Twentytwo states and union territories participated in the event. Weavers' centres from all over the country and the All-India Fabrics Marketing Cooperative Society took part. This fair was organised with a view to promoting handlooms as a fabric for modern living. **Total retail sale at this fair aggregated to Rs 34.82 lakhs. In addition, wholesale business amounting to Rs 5.77 lakhs was transacted and a further business of Rs 20 lakhs was reported under negotiation.**

With a view to projecting the image of rural India the authority organised Indian Agricultural Exposition 1977 (AGRIEXPO '77) on a massive scale. This was the first exhibition of its type on such a large scale. Rural India Complex, Krishi Darshan, Bullock Cart Square, Animal Husbandry Sector and a variety of cultural programmes formed the main highlights of the exposition. The Rural India Complex depicted the entire gamut of rural life in the typical setting of the Indian countryside. Handlooms and handicrafts, village and small-scale industries run by artisans in their rural surroundings underlined the economic advantages that could accrue from the further development of small-scale sector—an essential element in the growing Indian economy. **Nearly 200,000 farmers from various states and union territories visited this exposition. The small and marginal farmers benefited in more than one way from the latest information on the modern techniques in the field of agriculture, that was projected in Agriexpo '77, such as high-yielding varieties of seeds, use of different types of fertilisers, new breeds of cattle, poultries and fisheries, soil conservation, improved agricultural implements, irrigation etc.**

In addition to the farmers, many delegations from the neighbouring countries visited Agriexpo '77. The exposition generated business in respect of the sale of agricultural machinery from India and abroad. On the whole, the total number of visitors to Agriexpo '77 was 1.6 million.

The biggest national exhibition ever organised by India on foreign soil was the Indian National Exhibition in Moscow that really proved to be a notable success. **Some 370 Indian firms participated in the event, among whom were almost all reputed business houses and top public sector undertakings. Small-scale industries occupied the pride of place and accounted for about half the number of participants (174 units).** They displayed a wide range covering almost the entire economic activity in India, from traditional products to sophisticated machinery.

The theme of the exhibition, "India—Eternal and Ever New" was presented in the introductory area which displayed miniature India ranging from the pictorial depiction of the tri-colour national flag going up at Red Fort on Independence Day, of Gandhiji's Dandi March, cultural and historical links with central Asia, the flora and fauna, the paintings of Roerichs, scientific objects such as solar energy powered transistors, applications of nuclear research for peaceful purposes and achievements of space technology.

This exhibition, which presented a total picture of India—economic, scientific, technological, cultural and culinary—resulted in an additional business of the order of Rs 100 crores. Machine tools, industrial machinery, electronics, accessories and appliances needed by large industrial houses and agro-based consumer items were the major beneficiaries of the additional business.

The display of industrial exhibits in this exhibition succeeded in convincing the buying organisations in the USSR about the wide choice and competitiveness of Indian products. It also succeeded in bringing home the point that in the long run significant advantages could be secured by both sides even under a system of negotiated trade plans. **It needs to be pointed out here that**

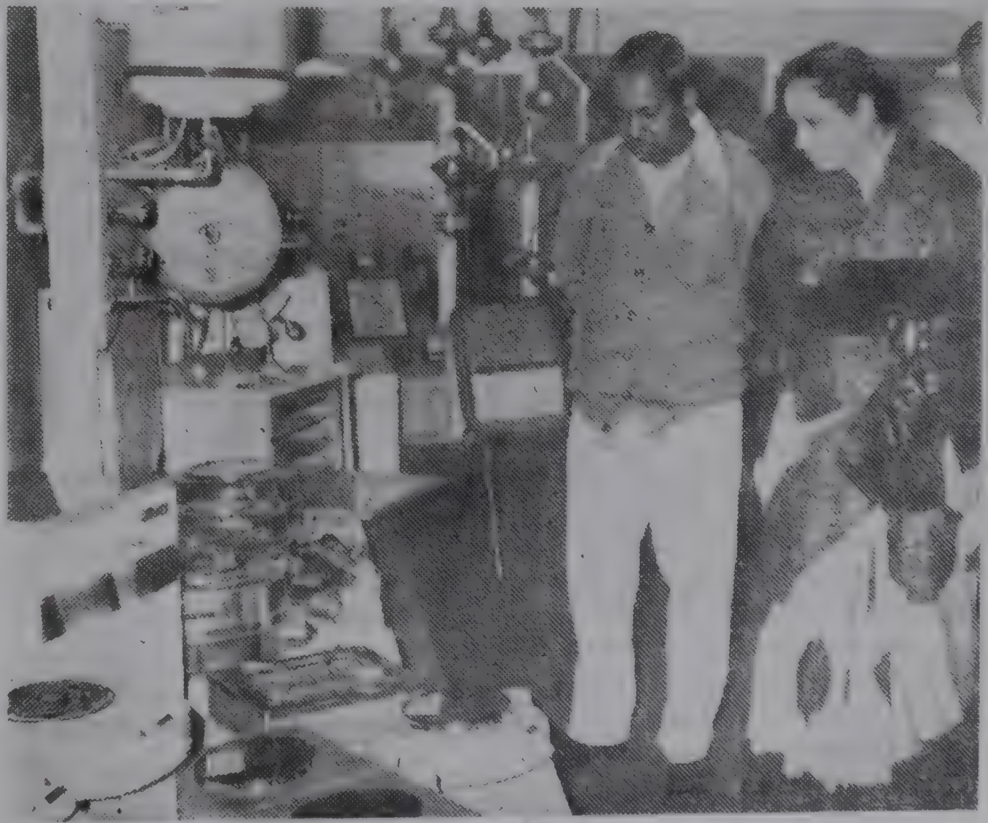
increased exports from India need not create problems in finding matching imports from a country such as the USSR. India imports from the Soviet Union many essential items such as machinery, equipment and spares for Soviet-assisted projects and a host of industrial raw materials apart from crude oil. There are many items such as fertilisers, metals, alloys and steel and essential raw materials which India can buy in larger quantities from the Soviet Union. Increased exports from India could help open up ample opportunities for increased imports from the USSR for some of the much needed items. Apart from the commercial angle, the exhibition succeeded in raising further the image of India in the Soviet Union.

The activities of the authority have been broad-based and all possible help and assistance has been rendered to the organising institutions for holding events in the authority's Pragati Maidan Complex. The Second Engineering Trade Fair, Defence Industries Exhibition, Fourth Triennele, III World Book Fair, Exhibition on Technology—the American Experience, and the Handloom Spring Bazar were the events held in the first quarter of 1976 with the assistance of the authority. It is reported by the Engineering Association that business worth Rs 500 lakhs was booked during the Second Engineering Trade Fair. The 3rd Indian Engineering Trade Fair which was organised by the Association of Indian Engineering Industry from February 2 to February 16, 1979, generated business enquiries and netted orders worth Rs 1,047 million from home and abroad. Visitors from 50 countries numbered 360 and more than 100,000 Indians visited the fair. Nearly 254 companies of both small and large scale sector displayed their products. **The main objectives of this fair were: to promote exports of engineering goods and technical services; to display the range and diversity of Indian engineering products; to project the Indian engineering industry's capability and sophistication; to develop industrial projects between India and other countries to promote ancillary build-up and sub-contracting on a national and international level.**

Apart from organising exhibitions within the country at its Pragati Maidan Complex, the authority organised India's participation in as many as 16 international events in 1977-78. During the second year of its inception, the Trade Fair Authority of India on behalf of the ministry of Commerce arranged India's participation at the national level in the following 10 international fairs abroad: Milan International Fair, Milan (Italy), April, 1978; Zambia Trade Fair, Ndola (Zambia) June-July, 1978; Damascus International Fair, Damascus (Syria), July, 1978; International Consumer Goods Fair, Stockholm (Sweden), August, 1978; Budapest International Fair, Budapest (Hungary), September, 1978; Tehran International Fair, Tehran (Iran) September, 1978; Baghdad International Fair, Baghdad (Iraq), October, 1978; Tripoli International Fair, Tripoli (Libya), March, 1979, Cairo International Fair, Cairo (ARE), March, 1979; and Leipzig Spring International Fair, Leipzig (GDR), March, 1979.

Besides, assistance was provided to a large number of Indian firms for their participation in the fairs outside this programme. It has been reported that business worth about Rs 1510 lakhs was contracted at the fair participations/exhibitions which were directly handled by the Trade Fair Authority of India.

During 1979-80, Trade Fair Authority of India is organising the First India International Trade Fair from November 10 to December 9, 1979 at Pragati Maidan, New Delhi. The work of organising the fair is now in an advanced stage. About 50 foreign countries and a



Electrical household gadgets on display at the National Small Industries Fair, 1978.

large number of public and private sector companies besides state governments and central government ministries will participate in the fair. At the time of UNIDO conference in February 1980, a National Industries Fair will be organised. In February and March 1980, the Pragati Maidan will also be utilized for organising the International Philatelic Exhibition and the World Book Fair.

Keeping in view the fact that the small-scale industry contributes 17 per cent of the GNP, 40 per cent of the total industrial production and 80 per cent of manufacturing industrial employment, the Trade Fair Authority of India took in hand national projection of small and cottage industries sector by organising the National Small Industries Fair from November 16 to December 19, 1978. The fair was inaugurated by the prime minister, Mr Morarji Desai.

The fair projected: (a) the image of cottage and small industries in India; (b) the developmental prospects of these industries, and the significance of technical education in the promotion of small and cottage industries; (c) the specific role of state governments in assisting the growth of small industries; (d) the contribution of small industries to the national economy; and (e) the export potential of small and cottage industries.

The scope of display represented the entire small and tiny sectors covering, inter-alia, electronics, electricals, mechanical and matallurgical products, leather, plastic and other chemical products, hosiery, handicrafts including carpets, handloom products, cottage and village industries, ancillary industries, services/facilities provided by banks financial institutions and export promotion agencies.

Trade Fair Authority of India's planned participation in fairs/exhibitions abroad during 1979-1980

Milan International Fair, Milan (Italy)	April 14-23, 1979
3rd Dar-es-Salaam International Fair, Dar-es-Salaam (Tanzania)	July 1-9, 1979
Damascus International Fair, Damascus (Syria).	July 4-23, 1979
XV International Trade Fair of Maputo, Mozambique	August 25 to September 9, 1979
Plovdiv International Fair, Plovdiv (Bulgaria)	September 3-10, 1979
Algiers International Fair, Algiers (Algeria)	September 5-21, 1979
Nairobi International Fair (Kenya)	September 25 to 29, 1979
Zagreb International Fair (Yugoslavia)	September 14-23, 1979
Baghdad International Fair, Baghdad (Iraq)	October 1-15, 1979
Chilean Annual Trade Fair, FISSA—Santiago (Chile)	October 25 to November 11, 1979
International Furniture Fair, "MEBUL FAIR", Brussels (Belgium)	November 8-12, 1979
Textilia '79—Textile, Ready to Wear Equipment International Fair, Thessaloniki (Greece)	November, 1979
Indian Exhibition in Mexico	November-December, 1979
Indian Exhibition in Dubai	January 1980
Indian Exhibition in Manila	February, 1980
Leipzig Spring Fair, Leipzig (GDR)	March 1980

Note—For the last five planned exhibitions dates are yet to be fixed.

Twentyfive states and union territories booked the space in the fair. Besides, a number of government departments, public sector undertakings, export promotion bodies and financial institutions and nearly 100 individual units in the small-scale sector took part in the fair.

The Small Industries Development Organisation (SIDO) arranged their display in the Central Hall of Industries under the overall supervision of the Development Commissioner, Small Scale Industries. The theme of the fair was 'Small industry serves the people'.

The basic subject of the Theme Pavilion was to depict the role of small-scale sector in its pursuit of serving the people and the progress made over the past three decades. The message through the displays in this pavilion was that the small entrepreneur is not alone in its efforts to start small units as he is now being assisted in all possible ways and at all levels.

The panorama, apart from depicting the historical development of various facets of small scale industries, also demonstrated its capabilities and potentialities through various photographs models and practical demonstrations. The important role which this sector plays in the generation of employment opportunities by the utilisation of local skills and raw materials to meet local demands was also one of the highlights of the Theme Pavilion.

An exclusive and integrated export promotion display was organised by various export promotion councils, commodity boards, financial institutions and other export bodies in the Export Services Pavilion.

A special feature of this fair was that all exhibitors were allowed to conduct sales across the counter in their respective stalls and pavilions in order to publicise their products at consumer level.

The Village Complex, popularly called the "Gram Jhanki", in the Pragati Maidan, the nucleus of which was first set up during Asia '72 and expanded for Agriexpo '77, provided a glimpse of life in some of the rural communities. This complex projected the wealth of rural habitat, artifact and other craft items used by our villagers for their day-to-day work. Now it is a part of Crafts Museum of the All India Handicrafts Board. There are, in this complex, 10 huts from different parts of the country representing different modes of construction using local materials, designed to meet the requirements of the climatic conditions of a particular area. This complex was activated for the National Small Industries Fair, 1978. The theme of the exhibition was "the child in our culture" and the exhibition displayed all the various handicrafts and objects which come in the life of a child.

Apart from this there were craft demonstrations with special craftsmen demonstrating different craft skills in different areas of the Gram Jhanki. Craftsman who were making craft items specially for children were invited from a number of states.

Another attraction was the Gandhi Mandap, which was set up in collaboration with the Gandhi Darshan Samiti. The theme of the Gandhi Mandap was India of Gandhiji's Dreams. It was based on Gandhiji's concept of Gram-Swaraj and his socio-economic work for the nation through rational use of machines, preservation of human creativeness, and full employment through small industries.

Delegations from several countries visited the fair. All said and done, the National Small Industries Fair was of interest not only for India but for all the developing countries and for some developed countries as well.

The new industrial policy resolution of the government lays stress on effective promotion of cottage and small industries widely dispersed in rural areas and small towns. It is the policy of the government that whatever can be produced by small and cottage industries must only be so produced. An exhaustive analysis of industrial products has been made to identify those items which are capable of being established or expanded in the small-scale sector. The small-scale sector is thus now well poised for meeting the challenges and opportunities of a new dynamic and vibrant industrial culture for economic development of India. The National Small Industries Fair succeeded well in underlying all that.

With a view to streamlining the administrative set-up of the TFAI, recruitment and medical rules for the benefit of the staff have been framed. A housebuilding advance scheme on liberal interest has also been introduced. The finalisation of inter-se seniority is now a matter of days. For facilitating cash transactions and providing postal facilities, a counter of the Central Bank of India and a post office branch have been opened within the premises of the authority.

The success of a fair in terms of actual business booked or enquiries generated can be expected only if thorough study of the market conditions, demand and supply, and competition from other suppliers is made before the fair and the participants advised accordingly. To undertake this work, a marketing and research unit has been set up which will undertake studies on the basis of published and unpublished data available so that the basic list of products to be displayed can be drawn up. The cell shall also undertake to establish advance contacts with the importers/wholesalers/buying organisations/chambers of commerce/trade associations in the targetted market and neighbouring areas so as to give the participants necessary guidance and help. It is also proposed to bring out advertisements in business magazines/economic dailies before the start of the fair giving brief details of products range to be displayed so as to create impact on the market.

To develop permanent clientele in the TFAI, a scheme for enrolling business firms, export houses, trade associations etc., as business associates of TFAI is being worked out. Enrolment as associate members would be done after proper scrutiny of business standing, standard and equality of products etc. Such associates will be entitled to certain facilities like preferential treatment and allocation of space in the fairs organised by TFAI, personalised assistance in establishing advance contacts with foreign buyers, participation in buyer-seller meets to be organised by TFAI during a fair and feedback of market intelligence in countries where TFAI organises fairs. Prompt information will be furnished on trade enquiries received by TFAI and preferential treatment in commercial and fair publicity given to the members.

UK poised for radical economic change

London

V. R. Bhatt

Britain is going to the polls on May 3. The Conservative leader, Mrs Thatcher, aims at "turning round the whole economy" based on the philosophy that on individual effort and not on government can lasting prosperity be achieved. The Labour manifesto does not make any drastic change in policy—fighting inflation, controlling excessive profits and government involvement in industry. The author believes that the British are intent upon change and will give the Conservatives the next chance.

If opinion polls are taken as an accurate pointer to the verdict that the British people will give in the general election on May 3, Mrs Margaret Thatcher, the Conservative party leader, will become the first woman prime minister of the United Kingdom as also the first ever woman head of government of a major western power. The Labour government, defeated on a vote of confidence (by a single vote), had been steadily gaining ground on the record of its successful economic policy of bringing down inflation from 27 per cent to under 10 per cent in three and a half years till its own supporters, the trade unionists, rejecting the pay restraint guideline set by premier Callaghan started a series of strikes which not only inflicted hardships on the day to day life and work of the British people as a whole but also generated feelings of anger and fear of the growing power of organised labour to disrupt industry, transport, health services, schools etc.

Though the prospect of a woman becoming prime minister in a highly developed industrial nation and the manner in which the electorate will respond to militant trade unionism makes this election of special interest to the west, what is really significant is that it will be the testing ground for a new kind of Conservative economic radicalism. The evolution of liberal democracy in western Europe has tended so far to blur the distinction between the economic policies of the alternating ruling parties of the moderate right and the moderate left (Conservative and Socialist) both of which have had to modify their doctrinaire positions and attitudes in order to appeal to the largest section of the electorate which is frightened off by extremism and prospect of sudden change. Thus the Conservatives when in power whether in West Germany, France, Italy or Britain have not gone the whole hog in implementing the principles of orthodox capitalism—the primacy of market forces and competition to regulate the economy and the application of stringent monetarism to curb inflation. Neither have the socialists in power put into practice their ideological aim of placing the state on the commanding heights of the economy by wholesale nationalisation. They have on the other hand recognised the private sector and the importance of profit as vital elements of an economy of growth. Where the differences between them have been manifested were in emphasis without undermining the structure of the mixed economy. Indeed the Labour government of Callaghan adopted a mix of monetarist and Conservative fiscal policies to fight inflation. The previous Conservative government of Edward Heath went in for nationalisation when Rolls Royce, one of the most prestigeous private firms, was on the point of collapse.

future shape

The election manifestoes of the British Conservative and Labour parties clearly indicate the future shape of economic Britain if one or the other gets an overall majority. The opinion polls predict Mrs Thatcher doing so but there is an element of uncertainty from the splintering of the British political spectrum by the rise of regional parties and signs of a revival of the smallest of the national parties, the Liberals. But the probability is strong that the British people are now intent on a change and this will help the Conservatives whose return to power is set to shift the economic gear sharply towards the private sector and freedom of enterprise.

The only visible agreement between the two major parties and the Liberals is that income tax must be cut from it standard

34 per cent on taxable income. This is not purely an election bribe to the voters but a general trend in Britain and western Europe. Indeed the Labour government in Britain has already cut income tax by raising the tax threshold twice and is pledged to further reductions if it wins the coming election. It however proposes to introduce a wealth tax starting from £150,000 in line with what exists in other countries as in West Germany. Mrs Thatcher has promised cuts at all levels and to bring down the top band of 83 per cent to 60 per cent, the prevailing rate in western Europe.

The economic philosophy behind the trend is that high personal taxes are disincentives to hard work, productivity and generally to growth. Mrs Thatcher's main plank in the election is that it is necessary to shift the weight of taxation from incomes to spending which means from direct to indirect taxation. An incentive-oriented economy in her view will require a radical change in the administration by reducing to minimum essentials, government "interference" or involvement in the economy whether it is in the form of price controls, dividend limitation or wage settlements or even in rescue operations of ailing private companies.

the 'reform'

Towards this end Mrs Thatcher proposes to "reform", that is cut the powers of the Prices Commission – the Labour government's watchdog on prices—, the Monopoly Commission and the Fair Trading Board. Her policy will be to provide an economic climate in which the private sector can make better profits which will provide the funds for bigger investments which in turn will generate growth and create more jobs. Competition (the market forces) will replace government control of prices. She argues that competition will keep prices in check or reduce them and encourage the growth of efficiency in industries while driving out the badly run and managed rivals.

She proposes to adopt monetarist methods more strictly to check the growth of money supply and of inflation. Public expenditure will be curbed, the number of civil servants reduced by limiting state interference in the economy. The national Enterprise Board set up by the Labour government to buy into the private sector through loans or equity holdings will be run down by selling off its holdings.

controversial aim

One of the Conservative party's most controversial aims is to sell off profit making sectors of the state-owned enterprises such as posts and telegraphs, railways, air services, to the private sector. Specifically the Aerospace and ship building industries taken over by the Labour government (in order to keep them alive in a fiercely competitive international market) are to be sold. It is also likely that a Conservative government may reduce the state holding in British Petroleum—one of the biggest and most profitable oil companies—from 51 per cent to 35 per cent. These sales, the cuts in public spending and the likely increase of the Value Added Tax will, it is hoped make up for the income tax cuts and increase in the Defence budget which are expected to cost £3,000 million.

In short what Mrs Thatcher aims in her own words is "turning round the whole economy" based on her philosophy that only on one's own effort and not on government can lasting prosperity be achieved.

Mrs Thatcher's proposals to reform trade unions will probably appeal to a majority of the electorate even if its implementation risks confrontation with the trade unions such as the one between striking coal miners and the Heath government which brought it down. She intends to stop secondary picketting by restricting strikers to picket only their work places. (The coalminers had picketted power stations and reduced electric supply forcing the country to observe a three-day working week.) Another union privilege for the axe is the "closed shop" system under which only members of a particular union can be employed in a specific trade or industrial operation. Her third proposal is to make unions pay a greater share of the cost of strikes, that is to contribute more to workers' strike pay income, most of which now comes from the government in the form of supplementary benefits for the workers' families.

Another controversial proposal is in regard to collective bargaining by the unions. Mrs Thatcher has made a sharp distinction between workers in the private and public sectors. She advocates free collective bargaining between private companies and workers without urging a guideline as Mr Callaghan had done. But workers in the public sector will be able to demand and obtain only what the public undertaking can provide from its own earnings. She argues that wage discipline will be imposed on a private company and its workers by the risk of the company's collapse and loss of jobs if excessive wage settlements are made. The difficulties in following this sensible prescription is that the public sector employees, many of them in non-materially productive services such as education and health, demand parity with private sector employees for comparable work and responsibility and have been pressing their demands by damaging strikes.

Labour manifesto

The Labour party manifesto makes no drastic changes in policies followed by Mr Callaghan. The fight against inflation will be carried on by restraining wage increases by voluntary agreement with trade unions, prices will be controlled where excessive profits are made and government involvement in industry will be expanded. Mr Callaghan however has succeeded in checking the party's powerful Left wing from including in the manifesto proposals such as nationalisation of banks and insurance and import controls.

If the Conservative party forms the next British government, as seems likely, there are bound to be far-reaching changes in economic aims and policies, the implementation of which may produce a tense industrial relations climate. But it will be against a very healthy financial background from the big revenues from North Sea oil and national self-sufficiency in energy that the oil and rich coalfields provide Britain.

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West Bengal: precarious power

R. J. Venkateswaran

The reason for the deterioration in the power supply position in West Bengal is not merely the absence of adequate facility. As Mr Jyoti Basu admitted in the assembly last month, "establishing new power stations is not enough. It is equally important, if not more important, to run them efficiently and well". The labour situation has gone out of hand. Instead of dealing firmly with it, the government went out of its way to give it reliefs and Rs one crore by way of arrears, so to say as wages of insubordination.

WEST BENGAL's economy which was severely shattered by the floods of last year is now confronted with another calamity caused by the acute shortage of power. The floods were unforeseen and unprecedented but the power crisis was certainly anticipated. Even in the last winter, when jute mills were on strike for nearly 50 days, Calcutta experienced extensive load shedding which was a clear indication of the coming chaos. But the government seemed complacent. This will be clear from the statement made by the chief minister, Mr Jyoti Basu, in the assembly on March 16 this year. He said that "with the active cooperation of the workers and the engineers the Santaldih power station has been performing well since June 1978". He added that "the environment at the Bandel power station has been properly maintained and the performance of that station has also been steadily good".

sharp deterioration

But since the beginning of April, the power situation sharply deteriorated and the daily shortfall in the supply in the Calcutta system exceeded 250 MW and, on some days, it reached even 300 MW. The government therefore, issued an order on April 10, directing that no industrial consumer, getting electrical energy at 3300 volts and above, either from the Calcutta Electric Supply Corporation or the West Bengal State Electricity Board, should draw any power for industrial purposes up to April 14. The government also ordered the closure of all shops and establishments at 7 p.m. It was thought that by these measures the government would be able to ensure the supply of more power for domestic needs and other essential consumers. The government did not consider it necessary to discuss the implications of these decisions with the chambers of commerce and the trade unions before announcing them. As a result, industrial production came to a sudden halt, followed by large-scale lay off of workers. The government instructed that such workers should be paid half their wages as per the provisions of the existing law. But trade unions have strongly resented this decision, which has led to a spurt of agitation in various forms, including gheraos.

enormous loss

The closure of factories is estimated to have resulted in a daily loss of production of about Rs 80 to 100 crores. But what is more regrettable is the utter uncertainty that prevails about the availability of power in the coming months. The chambers of commerce and industrial associations have suggested the introduction of some scheme of rationing of power as well as more facilities and incentives for the installation of captive generating sets. But these proposals are not easy to implement. No scheme of rationing is likely to succeed when the plants of the State electricity board are not able to operate with reasonable efficiency. One unit at Santaldih has broken down as many as eleven times since December 9, 1978. Tube leakages occur frequently in some plant or the other. These are attributed to defective equipment, inadequate supply of coal and its bad quality, and poor maintenance. But no one seems to know the real reasons. It is, of course, true that these factors have created difficulties in the efficient functioning of the power system. But could they provide a convincing explanation for the grave situation that exists at present? Is the government getting full cooperation from the engineers and workers in the power plants? How far has the human factor contributed to the present crisis?

CM's admission

Mr Jyoti Basu said in the assembly last month: "Establishing new power stations is not enough. It is equally important, if not more important, to run them efficiently and well. Unfortunately we faced certain problems at the Santaldih power station. These had been created by a certain section of the workers and their agitation was totally unconnected with any trade union activity. We dealt with this situation firmly." But what was the political affiliation of these workers and who instigated them to disrupt the generation of power? The fact that the supply deteriorated to such an extent as to call for the closure of factories for several days seems to show that the firm action taken by Mr Basu to discipline labour was not firm enough.

Mr Basu said that while the government was trying to check insubordination, it has also taken steps to improve the workers' emoluments. In September 1977, the government gave interim relief to workers with retrospective effect from April 1, 1974 and this amounted to Rs 1 crore by way of arrears and about Rs 30 lakhs per annum, prospectively. Besides, the government has appointed a wage committee and a pay committee to review wages and salaries. "In spite of all this", lamented Mr Basu, "a section of workers continued to adopt a negative and unhelpful attitude and created difficulties for the government". It is obvious, therefore, that unless Mr Basu gives top priority to the effective enforcement of discipline at all levels, the power plants will never be able to function satisfactorily.

The Left Front government has taken several long-term measures to tackle the power situation. It successfully persuaded New Delhi to sanction the Titagarh project of the Calcutta Electric Supply Corporation at a cost of over Rs 100 crores. The state government also has agreed to lend to the corporation Rs 30 crores and help it to secure the balance amount from the financial institutions. It has taken up in right earnest several new power projects to be implemented in the sixth and the seventh Plan period. It has arranged the installation of five gas turbines at a cost of about Rs 30 crores. Steps have also been initiated to strengthen the transmission and distribution system, for which a provision for Rs 227.35 crores has been made in the sixth Plan compared to Rs 108.56 crores in the fifth Plan. Besides, the government has decided to spend Rs 13.50 crores on rural electrification during 1979-80. These measures are commendable. But the government's performance will be judged by the success it is able to achieve, here and now, in augmenting the generation of power and in ensuring its equitable distribution. New Delhi has assured West Bengal of its advice and assistance in various forms in tackling the critical situation. It is for Mr Basu to take full advantage of this offer and spare the citizens from the agony of a scorching, searing and sizzling summer.

Squeeze, but gently

Sagittarius

With the increase in demand for funds, many banks have been obliged to restrict the operation of sanctioned credit limits by imposing cuts to the extent of 10 to 20 per cent. Some banks have not been able to observe the directives relating to the maintenance of cash reserves and use of only 40 per cent of incremental deposits. The author believes that if the monetary authorities intensely feel that growth of money supply should be regulated, then the centre should wholly eschew deficit financing.

THE DIRECTIVES of the Reserve Bank relating to the maintenance of cash reserve and liquidity ratios and use of only 40 per cent of incremental deposits could not be observed by the scheduled commercial banks as there was some unexpected demand for assistance from different classes of borrowers. Even in December last year the governor of the Reserve Bank took a serious view of the heady expansion of credit since September and suggested that only 40 per cent of incremental deposits should be utilised for extending credit and the statutory liquidity ratio of 34 per cent should be observed fully in respect of fresh deposits even if some member banks had already maintained a ratio higher than the revised minimum. The lending institutions however have not found it possible to observe these directives and shortfalls in the cash reserve and the statutory liquidity ratios have been reported in the case of quite a few institutions. Despite the efforts to restrict lending and increase cash balances and investments, the shortfalls have remained in evidence. The Reserve Bank authorities have latterlly expressed their determination to levy penal rates on portions of borrowings from them by member banks representing the shortfalls.

Even with an increase in demand for funds, many banks have been obliged to restrict the operation of sanctioned credit limits by borrowers by imposing cuts in these limits to the extent of 10-20 per cent. New proposals for assistance are also being held in abeyance. The caution exercised in fresh lending and repayment against earlier advances have been reflected in a less pronounced increase in advance of scheduled commercial banks between February 16 and March 30, 1979.

The growth in credit during this period was only Rs 184 crores against Rs 627 crores in the previous seven weeks and Rs 770 crores between October 27 and December 29, 1978. The increase in deposits in these three periods was Rs 795 crores, Rs 776 crores and Rs 1000 crores respectively. In spite of a slower rise in credit in recent weeks, the growth in advances in the first five months of the 1978-79 busy season was as much Rs 1581 crores against Rs 2571 crores or 62 per cent against the permitted limit of 40 per cent of incremental deposits. The heavy credit expansion in October-March, has surprised the monetary authorities as in the first six months there was no indication of an upsurge in demand for funds. The interruption to operations of banks in December and January had no doubt an upsetting effect. But the continued large purchases of cotton and jute and additions to stocks along with liberal assistance to small borrowers have compelled many institutions, including the State Bank of India to use fully available funds without observing the directives.

The trends in the deployment of bank funds during the 12 months ended March 30, 1979 also indicate that the improvement in agricultural production, a higher level of industrial activity and larger imports have compelled substantial expansion of credit and the Reserve Bank cannot expect to enforce its directives without jeopardising the interests of borrowers. But for an unprecenedted rise in deposits, an unmanageable situation would have arisen and the Reserve Bank would have been obliged to relax its curbs. As events have happened, the central exchequer and the state governments have been the losers especially as the financial corporations and public bodies have mobilised larger resources through their bond issues.

banks' difficulties

The increase in investments in government securities and treasury bills was only Rs 664 crores against the addition of Rs 486 crores in approved securities. The share of the central and state governments in investible funds of banks is usually much higher than the proportion achieved in 1978-79. The net borrowings through open market loans of the governments could have been considerably more if only cash balances had not risen by Rs 1037 crores in pursuance of the directives. The difficulties experienced by banks will also be evident from the fact that borrowings from the central banking institution rose by Rs 215 crores even with an impressive growth in deposits to the extent of Rs 4,662 crores.

These developments give rise to the query what exactly is the objective of the Reserve Bank in formulating its policies relating to the impounding of portions of new deposits and the maintenance of higher cash reserve and liquidity ratios. If the monetary authorities feel intensely that the growth in money supply should be strictly regulated by having control over all channel feeds there should also be complete eschewing of deficit financing by the centre. Only an attempt has been made to prevent unauthorised overdrafts by the state governments with the introduction of a new scheme effective from October 1, 1978. With the larger devolution of tax revenues from the centre to the state governments and the need to maintain Plan outlay at higher level, even after increasing non-plan expenditure large uncovered deficits have emerged. And, the total for 1978-79 in the revised estimates was a staggering Rs 2,145 crores when it had been earlier postulated that the deficit would be only Rs 975 crores.

farming to the rescue

This overrun in expenditure financed by created money would have had harmful consequences for the economy if there had been no spurt in agricultural production and impounding of large balances by the Reserve Bank. While the experts may claim that their measures to impound funds of banks have yielded the desired results in the shape of negative inflation, even with increasing money supply, others may rightly argue that it would have been a most straightforward practice if the government had been obliged to ask for sanctions from parliament for a fiduciary limit with the approval of the Reserve Bank. Actually there would have been no need for deficit financing if available resources of banks had been utilised for recognised lending and accumulated foreign balances also could be used in some ingenious manner.

What has actually happened is the "use" of impounded balances for meeting a great part of the deficit of the central government and the Reserve Bank's calculations about the application of funds of the banking system in a specified manner have not turned out correct. When it has been complained that the genuine needs of industry and trade are not being met and the government has been obliged to resort to deficit financing because of the inability of banks to invest larger amounts in terminable loans, no useful purpose will be served by continuing credit policies which are not helpful in meeting the requirements of a new situation.

It has now been examined what precisely is the significance of the developments in 1978-79 and whether there will be a continuance of upward trend in bank advances to the same extent in 1979-80. The money market is bound to remain stringent till July and there may be an easing of pressure on the banking system only in the latter half of the slack season. However, if agricultural production is again maintained at a high level in the 1979-80 season, larger funds will be required for marketing sizable food and cash crops, While the trends in consumption in some directions are indicative of an increase in purchasing power in new sections of the community, the handling of a larger volume of agricultural and industrial products will call for systematic expansion of credit. The new efforts to provide cheaper and easy credit to weaker borrowers will also result in credit expansion. The banking system will, therefore, be busy meeting the needs of various classes of borrowers and any unreasonable restraint on use of funds may have harmful effects besides eroding the profitability of banking operation.

There will, of course, have to be careful watch on credit utilisation for building up inventories of industrial raw materials and components in short supply. The shortage of steel, automobile components, base metal and petro-chemicals and a possibility of a rise in prices for some industrial products like cement, caustic soda and other items may lead to a cornering of supplies by major consumers or hoarders for taking advantage of a subsequent rise in prices. The inordinate increase in prices for crude and petroleum products in the international market may also accentuate world inflationary pressures and a liberal policy for imports might have an upward pull on prices for indigenous products where they happen to be lower than the landed cost of identical imported products. The Reserve Bank may therefore have to be selective in its credit control measures and prevent an undue increase in advances against sensitive commodities. But there is no justification for continuing the present procedures as the developments in the past six months have clearly shown that the directives cannot be observed meaningfully. Even granting that there were

Eastern Economist 30 Years Ago

APRIL 29, 1949

The acid test—and possibly the only test—of an industrial policy is its capacity to industrialise. It is an additional recommendation if it can commend itself politically to the country, if it can receive the warm and unanimous support of the legislature, if it contains the requisite weights and balances to bring it into consonance with the world currents of our time. But these additional recommendations are not substitutes for its fundamental purpose, which is new industrialisation. Judged by this searching test, India's industrial policy announced on the 7th April 1948 has failed. It may be argued that it is too early to make up our minds definitely on the subject. Industrialisation is a matter of many years and not of one or two. But the signs are clearly far from promising. Things which are to have a glorious end must have at least some small beginnings; new industrialisation must begin now even though its richer fruits may be reaped only after many years. And new industries are not now being set down. There is clearly something seriously wrong. It is possible that it is the financial, more than the industrial, mechanism which has failed. But whatever the cause, the industrial policy announced on April 7, 1948, and sought to be implemented by the sweeping powers of the Industries (Development and Control) Bill, has not brought forth in the first year of its existence any new vigour in the industrial field. It is certainly too early to say, looking forward, that it will never work; but we can certainly say, looking back, that it has not succeeded. Judged by positive standards of achievement, this has hitherto been a losing throw.

exceptional trends in credit expansion in the current busy season, the growth in advances in the whole of 1978-79 clearly suggests that new factors are in operation. With higher level of agricultural and industrial production and larger imports, the Reserve Bank will have to adopt entirely different strategy and not have a closed mind. Any undue and unimaginative tightening of the screw and insistence on scrupulous observance of rigid directives will have only a warping effect on the credit structure and lead to undesirable tendencies. The whole situation should be carefully reviewed when the governor of the Reserve Bank meets again the chief executives of the major banks for formulating the policy relating to the disposition of bank funds in 1979-80. There will have to be a relaxation of curb on the use of funds and as stated earlier, only selective credit control should be imposed for regulating advances in particular directions.

Dwindling cashew

R. B. L. Garg

Apart from the fall in imports of raw material, the author who is lecturer, post-graduate department of Business Administration, MSJ Government College, Bharatpur, believes that the fixing of unrealistic prices of raw cashewnut and other control measures on procurement and marketing of indigenous raw nuts has resulted is a sharp fall in the export of cashew kernels. The total exports of cashew kernels during 1977-78 amounted to 39,111 tonnes against 51,565 tonnes in 1976-77.

CASHEW IS one of our top export earning industries among plantation crop after tea and coffee. It is highly labour intensive. Kerala alone, which is considered the home of cashew, employs more than 1.3 lakh workers in its 260 cashew processing factories located in Quilon. India is a pioneer in the field of cashew processing and over the years our country has developed expertise in this field. There was a time when this country enjoyed virtual monopoly over the export of cashew in the world. Till 1958 about 97 per cent of processed cashewnuts came from India.

The unassailable position held by India all along as the leading exporter of cashew kernels is slowly changing with the emergence of rival countries on the export horizon. As is evident from Table I our export of cashew kernels have been looking down having touched the peak level in 1974-75.

TABLE I
Export of Cashew Kernel

Year	Volume of exports (Mil. kg)	Value (Rs crores)
1965-66	51.0	43.1
1969-70	61.0	57.4
1970-71	50.3	52.0
1971-72	60.4	61.3
1972-73	66.3	68.8
1973-74	52.3	74.4
1974-75	65.0	118.2
1975-76	54.0	96.1
1976-77	51.5	106.0
1977-78	39.1	147.6

The total export of cashew kernels during 1977-78 amounted to only 39,111 tonnes as against 51,565 tonnes in 1976-77. Cashew exports during the recent months show a declining trend which is evident from the fact that the total exports from January to June 1978 amounted to 9,313 tonnes valued at Rs 30.85 crores as compared with 18,046 tonnes valued at Rs 61.72 crores in the corresponding period last year. The United States of America, once India's largest customer, imported only 7,360 tonnes of cashew kernel during 1977-78 as against 17,497 tonnes in 1976-77.

The steep decline in the imports of cashewnuts is the main reason for the falling rate of export of cashew kernels. India has to depend for raw cashew on foreign sources such as Mozambique, Brazil, Tanzania and Kenya which, having set up their processing facilities in their countries, have curtailed supply of raw cashew to India. Table II shows the falling trend of our import of raw cashew.

As is evident from Table I in spite of the decline in exports the industry was able to make a record earning of Rs 147.61 crores in 1977-78, mainly because of sharp increase in the average export price from Rs 20.55 per kg to Rs 37.74 per kg during 1977-78. It is interesting to note that there was no import of raw cashewnut into India during June 1978. Imports in June last year were 7,505 tonnes valued at Rs 2.34 crores. The total imports for January-June 1978 amounted to 16,327 tonnes valued at Rs 6.34 crores as against 45,316 tonnes valued at Rs 12.13 crores in the same period last year. Table II shows the rapidly falling import of raw nuts ever since the peak level reached in 1972-73.

The steep fall in imports of raw cashewnuts is the main reason responsible for the present crisis which again is a consequence of canalisation of import of raw nuts through the State Trading Corporation and shrinking supply of raw nuts from the east African countries which have come up, of late, with the processing facilities in their own countries. The Cashew Corporation of India, which was established by the State Trading Corporation in 1970 with a view to handling this

TABLE II
India's Import of Cashewnuts

Year	Quantity (lakh tonnes)	Value (Rs crores)
1967-68	1.68	25.08
1968-69	1.96	31.38
1969-70	1.63	27.60
1970-71	1.69	29.41
1971-72	1.70	27.91
1972-73	1.98	31.81
1973-74	1.50	28.80
1974-75	1.60	36.60
1975-76	1.37	33.56
1976-77	0.75	n a.
1977-78	0.60	n.a.

trade, could not fare well due to its inability to compete with more sophisticated agencies such as those making purchases for other countries interested in importing substantial share of cashewnuts (e.g. China). Domestic production being low and imports being limited and at higher price, the industry has come into trouble. It is, therefore, sufficiently clear that unless proper measures are taken to solve the problem of scarcity of raw material the industry will continue to be in doldrums.

Any future development of the industry would have to be based on increasing domestic production of the cashew crop and its productivity. The present normal average yield of raw nuts is 200 to 250 kg per acre. It may be pointed out that with better efforts and improved methods, it is not difficult to raise the yield to 600 to 700 kg which is still said to be much less than reported African yield. Further, there is a need to survey the potential areas which may have suitable agro-climatic conditions. Vast areas in the southern states are usually considered ideal for this purpose. Currently India has only about 5,00,000 hectares under cultivation of cashew which is shared by Kerala (1,50,000). Tamil Nadu and Karnataka (each 1,00,000) and other states (1,50,000). The domestic production of cashew has to be raised from the present level of 2,00,000 tonnes of nuts to an appreciable level of 5,00,000 tonnes in five years.

The fixing of unrealistic raw cashewnut prices along with certain control measures on procurement and marketing of indigenous raw nuts by the government of Kerala has resulted in a sharp fall in the export of cashew kernels. It is true that fall in imports of raw material was one of the main reasons for dismal export performance; the control measures and price policy of government had caused serious dislocation in the processing and export business. It would thus be advisable for the governments concerned to revise the policies taking into account the view of the industry and trade as well as that of the Cashew Export Promotion Council so that the industry could be put back on sound footing once again.

Further, there is need for modernisation of the existing units so as to lower the cost of production. This is very essential if we wish to recapture the lost ground overseas. The processing units set up by such countries as Kenya, Mozambique etc are mechanised and offer us stiff competition in the export market. However, care will have to be taken to see that no new processing capacity is created.

An encouraging feature of the export trade of cashew kernel is the price spurt which has already compensated the fall in the volume of our exports. Indian processors of cashewnut are quite skillful and trained. In Africa the average yield of kernel is about 21 to 24 per cent of rawnut weight while in India it is higher. Indian processors claim to be able to get upto 70 per cent whole kernels, while mechanical processing plants in Africa record up to 65 per cent. Evidently we enjoy certain other advantages over African countries which can help boost export trade of cashew kernels much faster, if the barriers of low production and productivity are done away with through the right amount of state aid.

SFDA fails in finance

Dr Kumar Kurkute

The author has made a study of the performance of the Hooghly district to see how the Small Farmers Development Agency has been able to facilitate credit from financing institutions to the small farmers and has come to the conclusion that the institutional base for credit supply was too inadequate to fulfil their requirements. This article is based on the author's MSc dissertation submitted to the Post-graduate School of the Indian Agricultural Research Institute, New Delhi.

EVIDENCE ON glaring rural poverty, piled up in a series of studies in the late sixties and early seventies, sharply brought home the fact that the rural poor small farmers, marginal farmers and agricultural labourers had, by and large, been ignored in programmes of rural development. All through these years, beginning from the early grow more food campaigns through Community Development to the new agricultural strategy evolved in mid-sixties, the large farmer occupied the centre of attention and was recognised as the source of growth. Consequent upon this realisation, a series of new programmes was initiated to alleviate the lot of the rural poor. The Small Farmers Development Agency (SFDA) is one of such programmes.

The implementation of the SFDA scheme was based on the realisation that a good proportion of small farmers could be made viable if they could be helped to adopt new technology by assuring them of adequate inputs. But the most limiting factor in such transformation is the credit, as most of the inputs embodied in modern technology are purchased which need credit. The small farmer owing to his poor resource base cannot make fuller use of the new technology. He cannot generate the requisite capital for purchasing modern inputs through his own resources. Also, the small farmer's returns and repayment capacity have obvious limits and his risk bearing ability is almost nil. Therefore, one of the important functions of the SFDA is to present the small farmer as a creditworthy (potentially viable) client before the financing agencies, thus to help the small farmer obtain the needed credit and facilitate adoption of new technology. In other words, it is a challenge before the SFDA to see how best the small farmer can be served by the credit institutions.

This study presents a factual picture of the performance of the SFDA in Hooghly district in facilitating the small farmer to obtain finance from the credit institutions. The evaluation is based on the targets versus its achievements. Field level data were also collected and analysed by taking a sample in order to study SFDA's performance in real situation (at the farm level).

Hooghly is one of the three districts

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

Registered Office : 163, Backbay Reclamation, Bombay 400 020 Regional Offices 2 B.Victoria Terrace, Calcutta 700 017; 1 Cenotaph Road, Madras 600 018, Hindustan Times House, Kasturba Gandhi Marg, New Delhi 110 001

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED (ICICI) INVITES DEPOSITS AS PER FOLLOWING MAIN TERMS AND CONDITIONS.

Minimum amount accepted is Rs. 5,000/- and additional amounts in multiples of Rs 1,000/-. Interest (calculated on the basis of 360 days a year) is payable half-yearly and at maturity.

Period of Deposit (months)	6/7/8	9/10/11/12
Rate of Interest (% per annum)	6.0	6.5

Brokerage will be paid @ 50 paise per cent per annum to brokers on deposits received by the Company through them. The acceptance of the deposits is subject to rules and regulations as indicated in the application form available from the Registered Office of the Company at Bombay and the Regional Offices at Calcutta, Madras and New Delhi.

CHARITABLE AND RELIGIOUS TRUSTS ARE EXEMPT FROM INCOME-TAX ON ACCUMULATED INCOME DEPOSITED UNDER SECTION 11 (2) (b) (iii) OF THE INCOME-TAX ACT, 1961. INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ARE ALSO EXEMPT FROM INCOME-TAX ON INTEREST UP TO RS 3,000 TOGETHER WITH OTHER SPECIFIED INCOME, UNDER SECTION 80L OF THE SAID ACT. FURTHER EXEMPTION IS AVAILABLE FROM WEALTH TAX ON DEPOSIT UP TO A MAXIMUM OF Rs 1,50,000 (TOGETHER WITH ASSETS LIKE SHARES IN COMPANIES, DEPOSITS WITH BANKS, ETC) PROVIDED IT IS HELD FOR AT LEAST SIX MONTHS IN THE RELEVANT YEAR.

Particulars required as per the Non-Banking Financial Companies and Miscellaneous Non-Banking Companies (Advertisement) Rules, 1977 :

a) Name of the Company THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

b) Date of Incorporation January 5, 1955

c) Business The Company is presently engaged in providing medium and long-term loans in foreign currencies and rupees, investing in shares and debentures by way of underwriting and/or direct subscription, guaranteeing loans and providing merchant banking, managerial and technical assistance to enterprises in the industrial sectors.

The Company has Regional Offices at Calcutta, Madras and New Delhi.

The Company has no subsidiary at present.

d) Management Subject to superintendence and control of the Board of Directors, the Company is managed by the Vice-Chairman & Managing Director. He is assisted by the Whole-time Director in the management of the business of the Company.

e) Particulars of Directors

Name	Address	Occupation
1. Shri J. S. Raj (Chairman)	Sagar Tarang, Flat 32, 81/83, Bhulabhai Desai Road, Bombay 400 036	Company Director
2. Shri S. S. Mehta (Vice-Chairman & Managing Director)	36, Vasundhara, Bhulabhai Desai Road, Bombay 400 026	Company Executive
3. Shri J. N. Saxena	3, Hill Park, Powai Road, Malabar Hill, Bombay 400 006	Chairman & Managing Director, Industrial Development Bank of India
4. Shri N. M. Wagle	17-A, Carmichael Road, Bombay 400 026	Industrialist
5. Shri M. Sen Sarma	32/11, Gariahat Road (S) Calcutta 700 031	Company Director
6. Mr. M. D. McWilliam	24, Alleyn Road, Dulwich, London S. E. 21 BHE, U.K.	Banker
7. Shri M. V. Arunachalam	2, Greenways Road, Madras 600 028	Industrialist
8. Shri M. R. Shroff (Government Director)	A-205, Curzon Road Apartments, New Delhi 110 001	Government Service
9. Shri S. P. Mehta	Sneh Sadan, 114, Churchgate Reclamation, Bombay 400 020	Lawyer
10. Shri G. V. Ramakrishna	A-205, Curzon Road Apartments, New Delhi 110 001	Government Service
11. Mr. John O. Sims	12/13D, IL Palazzo, Little Gibbs Road, Malbar Hill, Bombay 400 006	Banker
12. Shri R. B. Pradhan	1, Moreshwar Co-op. Hsg. Society, Baner Road, Ganeshkhind, Pune 411 007	Company Director
13. Shri Rasesh Mafatlal	10, Altamount Road, Bombay 400 026	Industrialist
14. Dr. S.S. Baijal	B-3, West End, New Delhi 110 023	Business Executive
15. Shri. K.G. Khosla	11, Prithvi Raj Road, New Delhi 110 011	Industrialist
16. Shri S.Kumarasundaram (Whole-time Director)	7, Patwardhan Colony, Govandi, Bombay 400 088	Company Executive
17. Mr. N.H. Green (Alternate Director for Mr. M. D. McWilliam)	108, Samudra Mahal, Off Annie Besant Road, Worli, Bombay 400 018	Banker

f) Profits before and after making provisions for tax for the three financial years

For the accounting year ended December 31,	Profit before tax (Rs in crores)	Profit after provision for tax (Rs in crores)
1976	6.20	3.45
1977	7.21	4.51
1978	8.29	5.07

g) Dividends for the three financial years

For the accounting year ended December 31,	Dividend
1976	12%
1977	12%
1978	12%

h) Summarised financial position of the Company as appearing in the two latest audited Balance Sheets

	As at December 31, (Rs in crores) 1978	 1977
Liabilities		
Share Capital	22.50	18.75
Reserves and Surplus	25.05	20.55
Secured Loans	Nil	Nil
Unsecured Loans	431.00	344.70
Current Liabilities and Provisions	24.56	18.54
Total	503.11	402.54
Assets		
Investments	53.16	48.16
Loans to Industrial Concerns	391.34	312.74
Current Assets and Advances	55.05	38.15
Fixed Assets	2.01	1.86
Miscellaneous Expenditure	1.55	1.63
Profit and Loss Account	Nil	Nil
Total	503.11	402.54
Note : Contingent Liabilities :		
On account of guarantees issued	6.73	8.06
On account of capital issues underwritten	1.18	3.74
On outstanding Letters of Credit	15.02	18.49

	(Rs in crores)
i) i) Amount which the Company can raise by way of deposits under Non-Banking Financial Companies (Reserve Bank) Directions, 1977	16.62
ii) Aggregate of deposits actually held on December 31, 1978	4.52

j) Certified that on the day of this advertisement, the Company has no overdue deposits.

k) We declare that :

I the Company has complied with the applicable provisions of the Non-Banking Financial Companies (Reserve Bank) Directions, 1977, issued under the Reserve Bank of India Act, 1934;

II the compliance with the directions under the Non-Banking Financial Companies (Reserve Bank) Directions, 1977, issued under the Reserve Bank of India Act, 1934, does not imply that the repayment of deposits is guaranteed by the Reserve Bank of India; and

III the deposits accepted by the Company under the aforesaid Directions are unsecured and will rank for payment with interest thereon

(i) subordinate to present and future borrowings of the Company from international organisations and/or foreign Governments and/or agencies thereof with interest thereon, premium (if any) and any additional amounts payable under such borrowing arrangements;

(ii) **pari passu** with the 8% Bonds of Swiss Francs 8 million (1977-88) issued by the Company and also with all the rupee term loans both present and future and the Debentures issued and to be issued hereafter, and all future foreign currency borrowings other than those mentioned in (i) above, and interest thereon, premium (if any) and any additional amounts payable thereon;

(iii) superior to the outstanding interest—free special advance of Rs 3 crores from the Government of India, which ranks after the share capital.

The text of the abovementioned advertisement was approved by the Board of Directors of the Company on March 19, 1979 and is being issued under the authority and in the name of the Board of Directors of the Company, a copy whereof duly signed by a majority of the Directors named herein has been filed with The Reserve Bank of India, Bombay.

Place : Bombay
Date : April 20,1979

By Order of the Board
V. V. Divecha (Secretary & Legal Adviser)

Adroit-1739

of West Bengal where the SFDAs are functioning. A random sample of 59 identified (by the SFDA as its beneficiaries) small farmers with owned holding between two and five acres was taken from four villages of Chinsura Mogra and Singur blocks (two villages from each block). The required farm level data were collected from the selected farmers with the help of structured questionnaire. Secondary data about the SFDA's physical targets and achievements were obtained from the SFDA headquarters.

In the matter of credit, as stated above, the function of the SFDA is to present the small farmer as a creditworthy client before the financing institutions. In certain cases it may give subsidy to the individuals to make the small farmers' proposal creditworthy. Indirect assistance to the credit agencies, particularly to the cooperatives, in the form of share capital or assistance to engage additional staff to process the cases of small farmers is also provided by the SFDA. The economic details of the identified small farmers are made readily available to the credit institutions (through printed lists) to facilitate their work.

The details of performance of the SFDA in respect of facilitating credit support to the small farmers are presented in Table I. It may be observed from this table that in all the years there existed a wide gap between the targets* and achievements in regard to the distribution of short-term loans to the identified small farmers. In the initial year the cooperatives advanced an amount which exceeded the target. On the other hand, the commercial banks being new to the area of agricultural finance and so more cautious, did not do well. In the subsequent years the advances from the cooperatives declined to Rs 9.37 lakhs from Rs 14.09 lakhs, while the commercial banks increased advances from only Rs 1.93 lakhs in 1971-72 to Rs 4.52 lakhs in 1972-73 which further increased to Rs 14.08 lakhs in 1973-74. Despite this, the commercial banks and also cooperatives had not been able to achieve the targets.

The reasons for non-achievement of targets can be attributed to both the lending policies of the credit agencies as well as the identified beneficiaries. In the first year, the cooperatives advanced more than what was targeted, but they failed to recover the same. The huge extent of overdues understandably had its impact as reflected through marked decline in the advances during the succeeding years. For this the SFDA which supplied details

TABLE I

Progress in Distribution of Short Term Loans

Year	Targets						Achievements					
	Amount to be advanced (in lakh Rs)			No. of beneficiaries			Amount advanced (in lakh Rs)			No. of beneficiaries		
	Through cooperetives	Through commercial banks	Total	From cooperatives	From commercial banks	Total	Through cooperatives	Through commercial banks	Total	From cooperatives	From commercial banks	Total
1971-72	13.00	7.00	20.00	2500	1000	3500	14.09 (107.69)	1.93 (27.57)	16.02 (80.10)	1483 (59.32)	242 (24.20)	1725 (49.57)
1972-73	50.00	37.00	87.00	12500	9250	21750	9.37 (18.74)	4.52 (12.22)	13.89 (15.97)	1672 (13.38)	917 (9.07)	2419 (11.12)
1973-74	50.00	37.00	87.00	12500	9250	21750	13.93 (27.86)	14.08 (37.06)	28.01 (32.20)	3150 (25.22)	2225 (21.05)	5377 (37.32)

*Figures in brackets are precentages to targets.

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*The targets are fixed by the SFDA in consultation with the credit institutions operating in the district.

about the small farmers may also be held responsible.

A common observation is that mainly the well-to-do farmers are willful defaulters which leads to huge overdues. This is particularly true in the case of cooperatives; same could understandably be the situation in this area also. Because an examination of a sample of "identified small farmers to know whether they are genuinely small farmers revealed that more than 37 per cent were not really the small farmers. (This was based on the evaluation of income criterion followed by this SFDA to identify the small farmers as its beneficiaries. To be eligible as small farmer, his off farm monthly income should be less than Rs 200). On paper they were shown as small farmers, but they were not so in reality. The loans advanced to such farmers who are well-to-do are not generally returned in due time. Therefore, the resultant situation is bound to be of overdues and consequently lesser advances in the succeeding years.

In the case of commercial banks, out of the total 1968 villages in the district, only 720 (36.71 per cent) had been covered by different commercial banks. Besides, different commercial banks had different rules of advancing credit applicable to different participants. The number of field officers was hopelessly inadequate. Many banks did not advance because the field officers had not been appointed.

As been has been shown in Table I, since the cooperatives and commercial banks are unable to finance large proportion of the identified farmers the latter have to seek the help of their traditional financiers, viz private money lender with all his exploitative features. The details (in this respect) from case study of selected farmers are given in Table II. It may be observed from Table II that only 27.12 per cent of the small farmers availed of crop loan. Nearly 44 per cent borrowed from private sources. A good proportion ranging from 20 to 80 per cent of the small farmers in all landholding size-groups borrowed from the private money lenders. The small farmers in the lowest category were found to be mostly dependent on the private sources for crop loans. This indicated that despite the existence of the SFDA, a big proportion of the small farmers was still outside the fold of institutional credit structure and thus they were compelled to borrow from private sources at exorbitant interest rates.*

TABLE II

Agencywise Availability of Short Term Loans

Land-holding (in acres)	No. of farmers	Percentage of borrowers	Sources of credit				
			Coopera-tives	Commer-cial banks	Private lenders	Block office	Govern-ment
2-3	31 (52.54)	16.13	—	20.00	80.00	—	—
3-4	10 (16.78)	50.00	—	20.00	20.00	40.00	20.00
4-5	18 (30.68)	33.34	16.66	33.33	33.33	16.66	—
Total	59 (100.00)	27.12	6.25	25.00	43.75	18.75	6.25

Note: Loans from block office are in the form of fertilizers.

Thus it can be seen that the lending agencies which are expected to take an active part in assisting the crop production programme were not able to do so to the desired extent. The important reasons for this situation were:

(i) The institutional base for credit supply was inadequate. The commercial banks do not have adequate number of branches and sufficient field staff while the cooperatives were burdened with overdues;

(ii) The approach of the lending institutions, particularly commercial banks, was conservative and over-cautious. This fact was evident from their selective approach restricting lending to a certain limit. Despite the tall talk of crop loan system the insistence on mortgage showed the degree of conservatism on the part of the cooperatives too;

(iii) The terms and conditions of advancing loans and its repayment and the cumbersome procedure also discouraged the farmers from taking maximum advantage of the available credit facilities;

(vi) There was failure in one of the SFDA's stated functions, namely persuading or inducing the financing agencies to take their services more accessible to the small farmer and present viable and credit-worthy cases before the credit agencies.

Thus it can be concluded that the institutional base for credit supply was too inadequate to fulfil the credit needs of the small farmers. Conventional overdues situation of cooperatives and cautious approach of the commercial banks seemed to be the major arresting factors. A large number of identified small farmer beneficiaries was not served by the institutional credit structure. In other words, it was failure of the SFDA on the front of institutional credit.

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*The interest rate on the borrowings from private money lenders in the area studied varied from 30 per cent to 60 per cent per annum.

MOVING FINGER

At the rate at which Mr George Fernandes is killing off giants (at least according to press reports of this murderous activity on his part), he will soon be left with nothing but pygmies to keep him company. This should suit him, given his professional faith in small being beautiful. Newspapers, however, could exaggerate, as Mr Fernandes will no doubt concede. Giants are notoriously hard to eliminate. Take, for instance, Ravana and his cohort. Rama is supposed to have finished them once for all. Yet, year after year, on the Ramlila grounds in the capital and at other assorted open spaces in this and several north Indian towns, these giants have to be fought down again and again, if possible, in the martial presence of political VIPs. This is why even the *Gitacharya*, in sheer despair, has prescribed for himself an unending series of combats with the powerful ones of the earth—"*Sambavami Yuge Yuge*".

Meanwhile, there is no point in Mr Fernandes making a business of wallowing in self-pity. Presiding over a function marking the completion of one year of the Hindi news agency, *Samachar Bharati* (by the way, what earth-shaking event was this?), he ventilated an ancient grudge against the big newspapers. Way back in 1967, when he was first elected to Lok Sabha (a red letter day, no doubt, in the nation's life), Mr Fernandes, so he tells us, "thundered for 45 minutes on the floor of the House on the state of the railways"—at the end of which performance, so he tells us, many MPs went to him and thanked him for educating them on the subject. The big newspapers, however, resolved that a wider public should be denied the benefit of this educative process. So there was a general blackout of his speech by them. In fact, only one of them took any notice of it at all (and this must surely have been in a fit of absent-mindedness rather than fair-mindedness), for it merely gave him a line. Seeing that this was his maiden speech, Mr Fernandes, presumably, was all the more upset over his virginity having gone so cheap.

Not that he is not also greatly saddened by what the public has lost through the denial of publicity by the conspiratorial big newspapers to his Solomon-wise advice, or admonition to the government of those times that it should do away with the Railway Board. That was some 12 years ago and there has been a change in the ruling party and the party to which Mr Fernandes has the honour to belong is in power and he himself is a minister, while his political comrade, Mr Madhu Dandavate, has been holding the Railway portfolio for over two years now—and yet, like so many of the giants, who have been attracting the homicidal attentions of Mr Fernandes from time to time [Mr S.K. Patil, I notice, has just joined Congress(I)—Mr R.K. Karanjia. please note], the Railway Board has managed to survive. In fact it is going strong—all the more so because of Mr Dandavate.

I do not think that Mr Fernandes listened to his colleague on Delhi *Doordarshan* on the 20th—I wish he had, for that would have certainly made him wiser, particularly about how the Railways ought to be managed. Mr Dandawate said that his own view had always been—i.e., even when he was in the opposition—that the Railway Board should be mended and not ended and that this was what he was trying to do since he became Railway minister. Is it not just possible that, if Mr Fernandes was given Communications when portfolios were first allotted, while Mr Dandavate got Railways, it was because that grand old man, Desai, has a long memory?

It seems to me that Mr Desai also has a reasonably sound mind, in addition to a remarkably sound body. Talking to the editors of the rural press, when they called on him at his residence on April 20, the prime minister discouraged them from seeking government patronage if they really wanted the press to be independent. But he also told them that if any instances were pointed out to him of the government having created any difficulty for the smaller newspapers, he was prepared to remove it. Incidentally, it is worth noting that Mr Desai seems to have decided not to participate in formal functions or discussions organized by any section of the press. He at least seems to be taking seriously the issue of the press functioning as free of government influence as possible.

In contrast, Mr Charan Singh and Mr S.S. Barnala, who participated in the opening ceremonies of a three day conference of the "Rural Press" held in the capital, thought that they could serve the cause of their hosts only by castigating the big newspapers for their alleged urban bias. It has, however, been left to Mr George Fernandes to revel in excesses against the press. Speaking on the occasion of the installation of a UNI teleprinter at a hotel in Madras (another landmark, I suppose, in the news agency field), he exhorted news agencies and newspapers to "project the positive side"—shades of the emergency and the ten-point programme!—and proceeded to threaten the big newspapers with a freeze on their circulation. I suppose this is as near to a fascist attitude towards the press which any man in public life could get to in a country where there is still something like a free society. Meanwhile Mr Fernandes had better explain why he himself is so anxious to cultivate support for the BHEL-Siemens negotiations in the big newspapers. Indeed, a columnist working for the largest newspaper chain in the country only a few days ago cursed with bell, book and candle those who had raised a debate over this projected deal.

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TRADE WINDS

Export Prospects

INDIA'S EXPORT growth rate in the current fiscal year may be "at least" 10 per cent as against 4 to 4.5 per cent achieved in 1978-79 against heavy odds, Commerce minister, Mr Mohan Dharia told Lok Sabha recently. Elucidating his assertions Mr Dharia said that strike in Calcutta and Bombay ports and in jute mills, transport bottlenecks, power shortage and dip in the world prices of agricultural products were big hurdles in the task of export promotion.

Mr Dharia was replying to a 5-hour debate on the demands for grants of his ministry which were passed by the house later. Mr Dharia said the downward trend in international market of traditional items cost the country about Rs 426 crores last year. In terms of percentage it would be 13. Had the prices remained at least stable, export growth would have been not four to five per cent but 13 per cent "straightway." The value of the dollar against the rupee had gone down. Seventy per cent of India's export was in terms of dollar. In terms of rupee, he said, the country lost about Rs 153 crores in one year—three per cent of total export.

The Commerce minister also said that the country was forced to import cement and steel because domestic production did not pick up. The country earned some foreign exchange by exporting cement in 1976-77. "Today we are the worst sufferers," Mr Dharia pointed out that but for these factors, the country's export growth rate would have been 20 per cent.

Indo-US Trade

India's position as the foremost trading partner of the US is expected to be further consolidated during the eighties if the current favourable politico-economic relationship between the two continued, according to Mr Edward W.M. Bryant, counsellor for Economic and Commercial Affairs of the US Embassy in India. Speaking at a seminar at Madras on Indo-US trade and industrial collaboration during the eighties, Mr Bryant noted that India had played a vital and constructive role in the Tokyo Round negotiations. both countries, he said, continued to vigorously pursue their efforts to contribute to a dynamic and open world trading system. In 1978, the total trade between the two countries amounted almost to two billion dollars.

Mr Ramachandriah of the Indian Institute of Foreign Trade expressed the view that the Generalised Scheme of Preference to the US should be liberalised. Making a projection of India's exports of select items to the US on the basis of the annual growth rate in recent years, he estimated the total, value of exports of goods from India to the US at Rs 700 crores in 1978-79 and Rs 1100 crores for 1982-83, while imports for the corresponding years were estimated at Rs 850 crores and Rs 1,200 crores.

Foreign Reserves

The net rise in India's foreign exchange reserves in 1978-79 was Rs 720 crores against Rs 1,637 crores in 1977-78, according to the latest available official figures. The substantial slowdown in the growth of reserves is mainly attributable to the deliberate policy of utilising the reserves for imports. During 1978-79, external aid utilisation was higher and the net inflow after debt servicing has been estimated at Rs 851 crores as against Rs 727 crores in the previous year.

The receipts under invisibles were also more or less of the same order as in 1977-78. A decline in inward remittances may set in this year because of recent developments in Iran and some other Gulf countries and the slowdown in economic activity. The trade gap of Rs 1063 crores in the first 11 months, April to February, is the major factor contributing to the deceleration in the rate of growth of reserves, which was only 16 per cent, in 1978-79. The foreign exchange reserves (other than gold and SDRs) totalled about Rs 5,222 crores at the end of March, 1979. This represents roughly nine months of imports at the current trend.

Sole Selling Agents in Drugs Prohibited

In exercise of powers under sub-section (1) of section 294AA of the Companies Act, the Company Law Board has decided by a notification issued separately that sole selling agents shall not be appointed by a company for a period of three years with immediate effect, for the sale in India of any category of "bulk drug", "drug" and "formulations" as defined in the Drugs (Prices Control) Order, 1979 not being (i) any bonafide preparation included in the Ayurvedic (including Siddha) or Unani (Tibb) systems of medicine, or (ii) any preparation included in the Homeopathic system of medicine. This has been done since in the opinion of the Company Law Board the demand for these goods in the domestic market is substantially in excess of production and supply and the services of sole selling agents will not be necessary to create a market for such goods. As a result of the prohibition on the appointment of sole selling agents, it is expected that the cost of distribution of these drugs of mass consumption will be reduced.

Increased Revenue Collection

Revenue collection by the central government shows a steady increase during the past three years, according to figures available till February, 1979. The total revenue collection by the government from customs, excise, income tax, estate duty etc. is estimated to be of the order of Rs 9957 crores during 1978-79, the actual collection till the end of February being Rs 8727 crores. This is against last year's total collection of Rs 8504 crores and Rs 8021 crores in 1976-77.

Collection of central government revenues has been streamlined during the past two years with a view to plugging the loopholes for leakage. The total revenue collection during the single month of February has shown encouraging results compared to this month in earlier years. While during the month of February 1977, the total revenue collected by the central government was Rs 516 crores, the following years collection during February amounted to Rs 559 crores. Collection during February, 1979, however, registered a significant rise with Rs 772 crores. Excise accounts for the largest share in central government revenues. The collection in 1978-79 (upto February, 1979) was Rs 4724 crores followed by custom revenue of Rs 2031 crores and income tax of Rs 1884 crores. The total central excise collection is estimated to be of the order of Rs 5185 crores for the whole of 1978-79.

Dollar-Rupee Rate

The US dollar has become costlier by ten paise from April 20, following the revision by Reserve Bank of India of rates, for buying and selling of the dollar currency notes by the banks, money changers from the tourists and the public. The new rates for the dollar, fixed by the RBI, are: buying Rs 8 and selling Rs 8.40.

ITDC

The profit of the India Tourism Development Corporation (ITDC), before tax is likely to be Rs 250 lakhs during 1978-79 compared to Rs 192.36 lakhs during 1977-78. The profit after tax is expected to be Rs 116.55 lakhs as against Rs 99.53 lakhs duridg 1977-78. This is stated in the annual report of the ministry of Tourism and Civil Aviation. According to the report the turnover of the corporation is expected to be Rs 2348.23 lakhs during 1978-79 as against Rs 2195.31 lakhs during 1977-78. The turnover of the corporation up to November 30, 1978 increased to Rs 1369 lakhs from Rs 1279 lakhs during the corresponding period last year. The report says that the operating profit of the corporation up to November 30, 1978 had increased to Rs 340.46 lakhs as against Rs 314.02 lakhs during the same period last year.

The India Tourism Development Corporation commissioned a new three star hotel called Ashok Jaipur to offer a much needed budget-accommodation to visitors to the pink city of Jaipur. During 1978-79 the India Tourism Development Corporation added two more airport restaurants one at Tiruchirapalli and the other at Calcutta. The corporation now manages 19 hotels (including two beach restaurants) 13 travellers lodges, three tourists lodges, 14 restaurants including 6 airport restaurants, 16 transport units, five duty-free shops and three sound and light shows.

Panel on BHEL-Siemens Tie-up

The appointment of a five-member ad-hoc committee of the cabinet under the chairmanship of prime minister, Mr Morarji Desai to go further into the proposal of the Bharat Heavy Electricals Limited (BHEL) for entering into technical collaboration with Siemens of West Germany has been officially notified. Besides Mr Desai, other members of the committee are Mr George Fernandes, Mr H.M. Patel, Mr P. Ramachandran and Mr Ravindra Varma.

TELCO Output

The output of Tata commercial vehicles manufactured by the Tata Engineering and Locomotive Company (TELCO) during January-March 1979 was 10,659 units as compared to 6,721 units during the corresponding period last year. The total output for the financial year 1978-79 was 33,046 as compared to 23,317 units produced during 1977-78. The production could have been higher but for the inadequate supply of electric power at the company's works both at Jamshedpur and Pune, severe shortages of components and raw materials arising from strikes and labour unrest at the factories of the company's ancillary suppliers and congestion at the ports affected the company's operations throughout the year.

Farm Machinery Gift from USSR

India is to get farm machinery worth Rs 1 crore from the USSR as a gift. An agreement to this effect was signed recently between the State Farms Corporation of India and Selkhozpromexport. The gift follows the protocol signed during Mr Kosygin's visit to this country. According to a press note the agreement provides that the supply of the equipment should be completed by the end of this year or early 1980.

Gujarat State Financial Corporation

The Gujarat State Financial Corporation (GSFC), has achieved during 1978-79 an all time record rise in sanction and disbursal of loans for accelerating the tempo of industrial development in Gujarat state. 1185 units were approved loans of Rs 28.38 crores recording a rise of 16 per cent over previous year. Disbursements rose sharply by 33 per cent during the year reaching to Rs 18.57 crores. Assistance approved by GSFC in 1978-79 will catalyse investment of Rs 65.30 crores in the state. These projects will create employment opportunities for 15,433 persons and generate sales of goods and services of Rs 169.76 crores, when commissioned. The GSFC has approved 13,402 projects with loans of Rs 183.34 crores since inception. The aggregate disbursements amounted to Rs 109.15 crores.

Durgapur Steel Output Up

Durgapur steel plant closed the financial year 1978-79 with the production of 945,533 tonnes of ingot steel and 775,809 tonnes of saleable steel. The performance could have been much better but for the flood in September last year and also the power and coal shortages. The inadequate and low grade coal supply and chronic power shortage were the causes of low output in many areas of the plant. The loss of production due to power cut is estimated at 27,249 tonnes, industrial relations at 28,938 tonnes and the flood during September 1978 at 41,267 tonnes.

The export despatches of Durgapur steel plant during 1978-79 included rounds (17,460 tonnes), billets (4913 tonnes), Uganda wheel sets (820 Nos), IMBP (1870 tonnes) and mill scale (13,026 tonnes). The production of high value items during the year was a total of 11,313 tonnes in the shape of forging quality blooms (5365 tonnes), shell blooms for sale (20 tonnes), structurals (4987 tonnes), skelp (571 tonnes) and lancing tube skelp (570 tonnes).

Prohibition Compensation

Thirty crore rupees have been provided in the budget estimates for 1979-80 for payment of compensation to states for loss in excise revenue due to introduction of prohibition. A sum of Rs 15 crores was earmarked for this purpose in the revised estimates for the year 1978-79, according to the annual report of the department of Social Welfare. The central government is compensating states to the extent of 50 per cent of their established losses. The excise revenue of the year 1977-78 will be treated as the base for this purpose. This assistance scheme will remain in operation from 1978-79 to 1983-84. Total prohibition is in force in Gujarat and Tamil Nadu. There are no liquor shops in Arunachal Pradesh and Lakshadweep. Some major voluntary organisations engaged in the promotion of prohibition have been given assistance of over Rs 6 lakhs. The ministry of Information and Broadcasting is to prepare five documentary films depicting the evil effects of intoxicant drinks.

Funicular Shells for Buildings

Structural Engineering Research Centre (SERC), has developed doubly curved funicular shells in concrete. These shells which are based on 'strength-through-form' concept, utilise minimum of materials to maximum structural advantage. Informing Lok Sabha recently the minister of state for Science & Technology, Prof. Sher Singh pointed out that in small sizes there was no need for reinforcement in the body of the shell. Reinforcement was, however, needed in the supporting members which were usually in the form of grid beams supported on walls or main beams. The main advantages of this roofing and flooring system compared to the traditional reinforced concrete beam-and-slab system, are:—Saving in steel up to about 40 per cent; saving in cost up to about 20 per cent; saving in time of construction; and reduction in the use of shuttering.

Seaweed for Manure

A pilot project is underway to cultivate intensively selected species or seaweeds, which are useful as manure and in the use of medicine and other products. This information was given by the minister of state for Science and Technology, Prof Sher Singh to Lok Sabha recently. A pilot project for the cultivation of Eteromorpha, a seaweed yielding an anti-tubercular drug, is likely to be started at Mithapur (Gujarat) by the Central Salt and Marine Chemicals Research Institute (CSMCRI) of CSIR from May 1, this year. All preparatory work in this regard has been completed.

At present, the cultivation of industrially important seaweeds, such as those yielding Agar, is also being done by using vegetable cuttings of seaweeds at Marine Algal Research Station, Mandapam (Tamil Nadu). M/s Cellulose Products of India Ltd is collaborating in this endeavour by sponsoring field cultivation of Gelidiella at CSMCRI.

It is planned to take up more projects of a similar nature for coastal areas after evaluating the results of the pilot plant experiments conducted at Mithapur.

Response to Gwalior Rayons Scheme

Over 1100 "entrepreneurs" have sought Gwalior Rayons assistance to set up plants to manufacture staple fibre, whose indigenous production meets only half of the country's demand at present. The current annual indigenous production of staple fibre is 90,000 tonnes, of which Gwalior Rayons share is 78,000 tonnes. Imports total one lakh tonnes, worth Rs 11 crores in foreign exchange. These duty-free imports yield no direct income to the exchequer, while indigenous stuff is heavily taxed. For "ideological reasons", Gwalior Rayons has not been allowed to expand, although it is in a position to do that. According to Mr D.P. Mandelia, special adviser to Gwalior Rayons, there had been excellent response to his organisation's advertisement to assist the setting up of staple fibre plants. The smallest economically viable plant, with a daily capacity to manufacture 35 tonnes staple fibre would cost Rs 20 crores.

District Industry Centres

As many as 71.5 per cent of the District Industries Centres (DICs), sanctioned so far have set a target of establishing about 91,000 new units during the current year. Of this 26,729 units accounting for about 29 per cent of the total, would be in the small-scale sector. This is the first time targets have been set for DICs to make the programme more concrete and time bound. The anticipated total investment of the proposed new units is estimated to be of the order of Rs 181.40 crores. Besides, it has been estimated that about 71 per cent of the total financing to this sector amounting to Rs 128.65 crores would be provided by the institutional financing agencies.

The estimated gross value of the annual production of the proposed units stands at Rs 475.18 crores, providing direct employment opportunities to over 366,000 lakh persons. The average per unit employment of the proposed DIC programme has been worked to four persons; the total investment per employment being around Rs 5,000 and the gross output per person amounting to Rs 13,000.

Weston Electronics for USSR

An agreement for the supply of electronic products to the Soviet Union was signed recently by Mr Sunder Vachani, managing director of Weston Electroniks with Dr I.D. Shcherbina, president of Electronorgtechnica, the Soviet importing agency. Under the agreement, Weston will export TV games to that country as a first step. The Soviet agency, in turn, will supply to the Indian company sophisticated electronic components of an equivalent value. It is expected that in the next one year business worth Rs 25 lakhs will materialise.

ICICI

The Industrial Credit and Investment Corporation of India (ICICI) expects a 13 per cent, growth in its sanctions during the current year. Total disbursements are planned at Rs 120 crores, including foreign exchange loans of Rs 35 crores, against actual disbursements of Rs 106.30 crores in 1977. Referring to the demand made by several shareholders for enhanced dividend as also a bonus issue in view of the silver jubilee year, Mr James Raj, chairman said at the annual general meeting in Bombay recently that the nature of the corporation's business was such that the average cost of its funds was around 7.5 per cent, while the average return on funds was around 9.5 per cent. He, however, said that if the income position permitted, the board would consider a small hike in dividend. The corporation, being a development bank, had

Sugar made our way is 15% more profitable!

That's right! With BHEL's industrial turbine-generator sets for sugar mills, there's a 15% saving in steam input—with proportionate saving in the bagasse which otherwise has to be burnt for raising extra steam. And that's just another instance how BHEL is keeping itself 'in time with time' by serving not just power but a wide variety of industries.

Multi-stage reaction type 'back pressure' industrial turbines from BHEL-Hyderabad for sugar mills actually run on 15% less steam than conventional impulse type turbines—effecting tremendous economy in sugar making operations—by reducing production cost with a proportionate saving in bagasse that can easily be sold as feed-stock to the paper and pulp industry.

The sweet difference

Normally, in sugar mills, steam would be generated at the optimum pressure of 20 ATA—whereas for sugar juice processing purpose it is likely to be as low as 2 ATA.

Now, instead of lowering the pressure through a reducing valve, which means a loss of energy, switch on BHEL's steam-saving, high-efficiency power package, the industrial turbine-generator set that converts steam into usable electricity as a by-product. Plus, you already have the bagasse saving!

The advantages continue

A unique feature of these turbo-sets is the sophisticated hydraulic governing oil system with in-built protective devices for smooth, fail-safe operations. The turbines meet customer requirements of any parameter; what's more, the turbines themselves can work even under abnormal conditions. They produce less noise and vibrations—and, being multi-stage, the reliability factor is automatically increased.

The edge BHEL style

BHEL today is the only manufacturer who can provide both turbine and generator as a set with all the auxiliaries.

Another singular feature of the generator is the resin-rich thermosetting insulation with high dielectric and mechanical properties.

The range

Currently BHEL-Hyderabad is manufacturing 1.5 and 2.5 MW sets for special application to sugar industries, besides sets up to 30 MW capacity for other industrial applications. Right now, for Tanzania, it is making two 2.5 MW sets.

Make sugar the 15% more profitable way, the BHEL way.

For further details:

Senior Manager, Commercial (Industrial Products)

BHEL

Bharat Heavy Electricals Limited

Heavy Power Equipment Plant
Ramachandrapuram
Hyderabad 500 032

Registered Office :
18-20 Kasturba Gandhi Marg,
New Delhi - 110 001

SAA/BHEL/300

certain constraints. The management would like a steadily rising curve for dividends.

Mr Raj, however, ruled out the possibility of a bonus issue. He pointed out under the present guidelines in this regard, the corporation would not be able to issue bonus shares in a reasonable ratio. However, given the kind of return, it might be difficult to maintain dividend on the enlarged capital. He said in 1978, the corporation sold shares to generate capital gains of Rs 1.72 crores. Consistent with maintaining the quality of its portfolio, the corporation would continue to sell shares held by it at appropriate time.

Import Duty on Stainless Steel Sheet

The Delhi Stainless Steel Utensil Manufacturers Association has urged the government to forthwith reduce the customs duty on imported stainless steel sheets so that the quality of utensils can be improved and their prices reduced. In a memorandum submitted to the prime minister, Mr Morarji Desai, the association said that the existing higher level of duties not only prevented good quality stainless steel sheets being imported for the manufacture of utensils but also helped the manufacturers of stainless steel sheets to earn huge profits. The memorandum, which was simultaneously addressed to the deputy prime minister, Mr Charan Singh, the Commerce minister, Mr Mohan Dharia and the Steel minister, Mr Birju Patnaik, said that the import duty on sheets was initially reduced to a level of 120 per cent from the then prevalent rate of 320 per cent following representations from the association. However, the duty was subsequently raised to a level of 220 per cent on the pretext of encouraging stainless steel re-rollers in the country.

Mr B.N. Khanna, president of the association, said that not being satisfied with the already huge profits they are earning, the Indian Steel Re-rollers Association had now demanded a ban on import of stainless steel sheets. Mr Khanna said that indigenously manufactured stainless steel sheets did not conform to the health standards. There was need to ban the use of such steel sheets in the manufacture of utensil. He said such sheets, however, could be used for industrial purposes.

Names in the News

Mr S. Laxminarain, a veteran journalist, specialising in cotton and textiles since 1952, has assumed charge as Public Relations Officer of the Indian Cotton Mills' Federation. He will also be editing the Federation's monthly journal. Before taking on the new responsibilities, he had been the editor of the Indian Textile Journal.

Mrs Sumati Morarjee, chairman of the Scindia Steam Navigation Co Ltd, and vice-president of the Maritime Law Association of India, has been elected as a titulary member of the Comite' Maritime International (CMI) of Antwerp in Belgium.

Dr Nagendra Singh, who is the president of the Maritime Law Association of India and judge of the International Court of Justice, The Hague, has been re-elected as vice-president of the CMI. The CMI, an International body of which many national associations concerned with Maritime Law are members, studies the changing pattern of Maritime Law and convenes conferences for revision of old laws and forging of new ones.

Mr C.S. Samuel has taken over as chairman of the Indian Tea Association, Calcutta. A chartered accountant, Mr Samuel joined Brooke Bond India Ltd, in 1971 as chief executive in charge of finance. He became the company's managing director in 1974 and the chairman in 1978.

Mr K. Dharam has taken over as works manager of National Organic Chemical Industries Ltd (NOCIL) in succession to Mr P.H. Vogtlaender, who has returned to Holland to join his parent company, Shell Nederland Chamie at Pernis.

Mr T.K. Joshua has taken over as special director of tubes division and metal sections in Tube Investments of India Ltd, Madras.

Mr Jaswant Rai, managing director, Usha Spinning & Weaving Mills Ltd, has been appointed chairman of international relations committee of the National Alliance of Young Entrepreneurs.

Mr N. Agrawal has been appointed general manager (operations) of State Bank of India, Chandigarh.

Mr Santosh Kumar, manager, PVA Plant, Hoechst Dyes & Chemicals Ltd, has been elected chairman of Institution of Works Managers (UK), Bombay group for 1979-80.

Mr P.S. Navlakha, president, Straw Products Ltd, New Delhi, was elected chairman of the Indian Paper Makers Association for the year 1979-80. **Mr R. M. Mehta**,, technical consultant, Tribeni Tissues Ltd, Calcutta was elected vice-chairman. The election was held at the time of the annual general meeting of the Bengal Chambers of Commerce and Industry, Calcutta.

Mr L.C. Vajravaradan has been elected secretary and treasurer of All India Seed Growers, Merchants and Nurserymen Association. He will represent the national association at the International Congress of the Federation of International Seedmen at Interlaken. Switzerland between May 25 and 30. Other members of the committee are **Dr K.R. Chopra, Mr Narendra Kumar** and **Mr Bal Gandhi**.

Mr Prafull Anubhai has been elected president of the Ahmedabad Mill Owners' Association for 1979-80.

Prof D. D. Trivedi has been re-elected president of the Ahmedabad Management Association for 1979-80.

Mr N.M. Shah, managing director of Testeels Ltd, has been re-elected as president of the Vatva Industries Association for 1979-80.

Mr Pranlal Bhogilal, has been elected as president of the All India Starch Manufactures' Association.

Mr J.G. Roy has been elected president of the Association of Merchants and Manufacturers of Textile Stores & Machinery (India), for the year 1979-80.

COMPANY AFFAIRS

Hindalco

THE BOARD of directors of Hindustan Aluminium Corporation has recommended on April 20, issue of bonus shares in the proportion of one share for every two shares held, subject to the approval of the Controller of Capital Issues. The board has recorded its intention to pay a minimum dividend of 10 per cent on the expanded capital after the proposed bonus issue. Announcing this in Bombay, Mr D. P. Mandelia, special advisor to the company, has said that the bonus shares are the maximum that the company could issue under the guidelines in force. The formula for calculating bonus shares, under the guidelines, is that 30 per cent of the average pre-tax profits for the preceding three years should yield a minimum dividend of nine per cent on the expanded capital.

Mr Mandelia has said that Kaiser wants to sell all the 26.80 lakh shares it has in Hindalco. The government has proposed that one lakh of these shares should be earmarked for the Hindalco employees, 15.80 lakh shares should go to the financial institutions and the remaining ten lakh shares be offered to the public. But the Bombay Shareholders Association and Hindalco have taken serious exception to this proposal on the ground that the financial institutions have no right to a special treatment, particularly when they have not assisted the company at any stage.

He pointed out that the production outlook of Hindalco has improved as a result of the Supreme Court verdict. He hoped the power position for the company will ease considerably. In the meantime, Hindalco has placed orders for two thermal sets of 60 MW each with the Bharat Heavy Electricals at Bhopal to expand its Renusagar power house. The first unit is scheduled to be commissioned in 1981 and the second a year later. This expansion will cost Rs 78 crores.

The company has sought loans totalling Rs 71 crores from financial institutions. The foreign component of the expansion project is estimated at Rs 25 crores (C.I.F.). Mr Mandelia has said it is highly creditable that Renusagar power thermal plant operates at 90 per cent of the generation capacity when similar plants in the country operated below 50 per cent.

Gwalior Rayon

The Controller of Capital Issues is likely to fix a premium of Rs 25 per share for the public issue of 20,00,000 shares of Rs 10 each of Gwalior Rayon against the management's proposal of a premium of Rs 32 per share. The Controller's permission is expected to be received shortly. The public issue of shares is intended to dilute the shareholding of Birlas in the company. The company was asked to effect such a dilution at the time of the expansion of its Harihar plant some five years ago. According to Mr D.P. Mandelia, special adviser, a bonus issue by the company is possible only after the public issue is made.

The proceeds of the public issue amounting to Rs 7 crores would be utilised for expansion and diversification of the company's activities. The company has sought the government's approval for setting up a Rs 25-crore cement project at Javad in Madhya Pradesh. The plant will have a capacity of five lakh tonnes of cement per annum.

Bharat Commerce and Industries Ltd

The working and the financial results of Bharat Commerce and Industries Ltd, for the year ended December 31, 1978 reflect the effect of efforts made to raise production and improve productivity as well as the general trend of recovery in the textile industry. Sales have improved to Rs 65.31 crores from Rs 55.54 crores in the previous year. Net profit before taxation is sharply up from Rs 26.64 lakhs to Rs 2.43 crores. With the provision for taxation absorbing Rs 95 lakhs, the amount available for appropriation (after other adjustments) comes to Rs 1.49 crores as compared with Rs 29.18 lakhs in the previous year. The board has availed itself of the opportunity provided by this gain in the revenues of the company to declare a higher equity dividend of Re 1.50 per share (15 per cent), absorbing Rs 37.50 lakhs, as compared with one rupees per share (10 per cent), absorbing Rs 25 lakhs in the previous year. The board has also been able to transfer to general reserve a sum of Rs 1.10 crores, whereas in the previous year a sum of Rs 1.51 lakhs had been transferred from the general reserve to add to the amount available for appropriation.

Century Enka

Century Enka has reported an uptrend in production and sales in the first half of the current year. Production during the period October, 1978 to March, 1979 totalled 1,191 tonnes against 900 tonnes in the same period of the previous year and 1,769 tonnes during the year ended September, 1978. Domestic sales amounted to 1,199 tonnes valued at Rs 14.79 crores against 575 tonnes valued at Rs 8.07 crores in the corresponding period of 1977-78 and 7,580 tonnes valued at Rs 20.32 crores during the year ended September, 1978. In the current year, production of polyester filament yarn has been started on a commercial scale. Machinery and equipment has been installed for texturising and twisting yarn and this capacity has been partially commissioned. The profit margin is stated to be under pressure due to large imports of nylon and polyester yarns under the OGL. However, production and sales in the current year are expected to be higher than in 1977-78 and the overall performance is expected to be satisfactory. The company is going ahead with the implementation of the modernisation programme and the project for the manufacture of engineering plastics polymer resins. Construction of the new project is expected to commence in the current year. The project for the manufacture of vinyl acetate monomer has been dropped.

Pfizer

Pfizer Ltd has announced its operating results for the year ended November 30, 1978. The total net sales for the year amounted to Rs 43.52 crores as against Rs 41.23 crores in 1977, registering a modest growth of 5.3 per cent. The net profit for the year amounted to Rs 2.63 crores as against Rs 2.55 crores in 1977. The company had announced two interim dividends, one in May 1978 of Re 0.80 per equity share and another in November 1978 of Re 0.80 per equity share, both subject to deduction of tax at source. The total dividend thus declared for the year ended November 30, 1978 works out to Rs 1.60 per share. The directors have not recommended any final dividend for the year under review. The company's exports during 1978 amounted to Rs 58.20 lakhs. The company is engaged in diversified operations which includes pharmaceuticals, pharmaceutical-chemicals nutritional and healthcare products and agricultural and animal health products.

Ceat Tyres

Ceat Tyres is going ahead with its expansion plans to raise the production by 160,000 automotive tyres and tubes per annum. The company expects to increase its production during the current year by about 50,000 tyres and tubes each. The expansion programme would be completed by the end of this year and the full capacity will become available next year. As the demand for the company's products remains good and the entire production continues to be sold, the company is confident of selling the additional production that will become available from expansion. The board will shortly decide about the manufacture of radial tyres.

Rane (Madras)

Rane (Madras) has decided to increase its authorised share capital from Rs 1 crore to Rs 2.25 crores divided into 10 lakh redeemable cumulative preference shares of Rs 5 each (Rs 50 lakhs) and 40 lakh equity shares of Rs 5 each (Rs 2 crores). It is also proposed to raise the rate of dividend of seven per cent and six per cent preference shares to 10 per cent from the accounting year 1978-79. The present seven per cent and six per cent preference shares will be grouped into one class of redeemable cumulative preference shares.

Cadbury India

Cadbury India has received permission from the Controller of Capital Issues to raise Rs 51.58 lakhs by issue of 515,808 new equity shares of Rs 10 each at a premium of Rs 2.50 per share. With this issue the total paid-up capital will increase to Rs 3 crores, out of which the non-resident shareholding will be Rs 1.20 crores (40 per cent). The dilution required under the FERA will thus be completed this year.

With the assistance of Cadbury Schweppes, UK, the company has identified major areas of research. The first of such projects which is being undertaken seeks to evolve methods of fermenting cocoa beans.

The area under cocoa

JAY SHREE TEA & INDUSTRIES LTD.

NOTICE

It is hereby notified for the information of the public that Jay Shree Tea & Industries Ltd. proposes to give to the Central Government in the Department of Company Affairs, New Delhi, a notice under sub-section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for substantial expansion of its activities. Brief particulars of the proposal are as under :—

1. Name(s) of Person(s) Body corporate owning the undertaking	**JAY SHREE TEA & INDUSTRIES LTD., NEW DELHI**		
			Rs.
2. Capital structure of the applicant undertaking	AUTHORISED CAPITAL 75000 shares of Rs. 100/- each		75,00,000/-
	27,50,000 shares of Rs. 10/- each		2,75,00,000/-
			3,50,00,000/-
	ISSUED CAPITAL 2745973 equity shares of Rs. 10/- each		2,74,59,730/-
	SUBSCRIBED & PAID UP 2733324 fully paid up equity shares of Rs. 10/- each		2,73,33,240/-
3. Details of Proposed substantial expansion			
(a) Names of New Goods to be produced, supplied or of New services to be rendered	Not Applicable.		
(b) In the case of substantial expansion of existing activities			
(i) Name of Goods	Single Superphosphate, Sulphuric Acid, Cryolite/Sodium Silicofluoride		
		Licenced	*Installed*
(ii) Capacity before expansion	Single Superphosphate	57360 M.T. P.A.	57360 M.T. P.A.
	Sulphuric Acid	50 M.T. per day	19250 M.T. P.A.
	Cryolite/Sodium Silicofluoride	300 M.T. P.A.	150 M.T. P.A.
(iii) Expansion proposed	Single Superphosphate	66000 M.T. per annum	
	Sulphuric Acid	33000 M.T. per annum	
	Cryolite/Sodium Silicofluoride	750 M.T. per annum	
(iv) Location of the Project for substantial expansion	At Khardah (24 Parganas) in West Bengal		
(v) Brief outline of the cost of project, the scheme and sources of finance	The cost of the project is estimated to be Rs. 400 Lacs. 20% of the cost is proposed to be met by the Company out of its own resources and 80% of the cost is proposed to be met by borrowings from banks/financial institutions.		

Any person interested in the matter may make representation to the Secretary, Department of Company Affairs, Govt. of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For **Jay Shree Tea & Industries Ltd.**
B. C. BIYANI
President

Regd. Office :
"Industry House"
10, Camac Street,
Calcutta-700017.

Dated this 18th day of April 1979.

plantation continues to rise, and is estimated at 5,200 hectares at the end of 1978. The crop yields and quality are encouraging. The directors state that the country is expected to be self sufficient for its bean requirements by the early 1980s, and surpluses will be available for export thereafter.

Sehgal Papers

Sehgal Papers Ltd went into commercial production of writing and printing papers sometime back and the same are being sold very successfully. The company has achieved a production capacity of about 80 per cent against the original envisaged capacity utilization of 60 per cent. These papers are being manufactured entirely from indigenous raw-materials. The quality of writing and printing papers compares very favourably with that available in the market. The erection of carbonless copy paper plant is nearing completion and trial production is expected to start next month. The company is also selling successfully its soft and absorbent tissue papers, demand for which is rapidly increasing and more and more small scale converters of paper products are buving our soft and absorbent tissue papers. So far the small scale converters were using only imported soft and absorbent tissue papers. The company's prices for soft and absorbent tissue papers are about 25-30 per cent cheaper than those of similar imported tissue papers and our quality is as good as the best in the world. The company has achieved production capacity of about 70 per cent against the original envisaged capacity utilization of 50 per cent. The company's tissue products such as napkins, face and hanky tissues and toilet rolls manufactured under its own brand name 'Sno-tex' are also becoming very popular and are being presently sold at leading stores all over the country.

Skol Breweries

The efforts of the managements of Skol Breweries Ltd, Bombay, at pioneering the cultivation of hops in Kashmir with technical assistance from the Regional Research Laboratory, Jammu, have been successful, resulting in foreign exchange savings. The 1979 crop is expected to be sufficient to meet the company's needs as also for sale to other breweries. The major part of the equipment at the company's brewery is not capable of being used in the production of any other beverage. Consequently, it is difficult to forecast the prospects in the present uncertainty arising from the prohibition policy of the central government.

Hindustan Development Corporation

Hindustan Development Corporation Ltd has proposed to maintain ordinary dividend for the year 1978 at 10 per cent. The company has improved its gross profit at Rs 1.16 crore on a turnover of Rs 15.91 crore against a profit of Rs 1.07 crore on a turnover of Rs 11.71 crore in the previous year. Ordinary dividend declared is expected to be exempt under Section 80K of the Income Tax Act. After providing Rs 25.64 lakh (Rs 24.34 lakh) for depreciation, Rs 3.56 lakh (Rs 1.61 lakh) for investment allowance reserve and Rs 14.28 lakh (Rs 11.19 lakh) for taxation, there is a surplus of Rs 71.64 lakh against Rs 70.05 lakh in the previous year. Ordinary dividend will absorb Rs 14.69 lakh (same) and the balance of Rs 57.97 lakh (Rs 55.41 lakh) has been transferred to general reserve. The company's engineering unit at Calcutta operated at low utilisation of capacity during early 1978. General Engineering Works, the company's engineering division at Bharatpur, Rajasthan made satisfactory improvements in its order position.

Camphor and Allied Products

The directors of Camphor and Allied Products Ltd, propose to maintain the dividend of Rs 15 per share for the year 1978. The net turnover has gone down by 2.6 per cent from Rs 4.89 crore to Rs 4.77 crore and the per-tax profit has declined from Rs 93.71 lakh to Rs 67.19 lakh. In view of the benefit available on account of the expenditure incurred on research, the tax liability is lower at Rs 27 lakh against Rs 55 lakh in the preceding year, the net profit is placed at Rs 38.19 lakh against Rs 37.57 lakh, after adjustment, the disposable surplus is placed at Rs 51.20 lakh (Rs 37.58 lakh).

A sum of Rs 23.90 lakh (Rs 10.25 lakh) has been transferred to general reserves and the allocation to the debenture redemption reserve has been maintained at Rs 7 lakh. The proposed dividend will absorb Rs 20.25 lakh. The sales of camphor declined from 870 tonnes in 1977 to 750 tonnes in 1978 and the fall in sales is attributed to the import of large quantities of camphor during the period under review.

Pine Chemicals Ltd, promoted by Camphor and Allied Products, is speedily implementing its project at Jammu for the manufacture of turpentine, rosin and its derivatives. The plant is expected to go on stream by the end of 1979.

New Indian Industries

The directors of the New Indian Industries Ltd, propose to issue bonus shares, subject to the sanction of the government, in the ratio of one share for every five shares held. With the proposed bonus issue, the equity capital of the company will rise to Rs 164.20 lakhs. The directors of the company have proposed to maintain the equity dividend at Rs 17 per share for 1978. While the income has gone up from Rs 12.8 crore to Rs 14.08 crore, the gross profit has gone down from Rs 1.28 crore to Rs 1.16 crore.

The provision for depreciation is placed at Rs 41.13 lakh (Rs 36.97 lakh) and the investment allowance reserve absorbs Rs 6.25 lakh (Rs 8.75 lakh). The provision for taxation is Rs 43 lakh (Rs 50.89 lakh). A sum of Rs 8.65 lakh has been transferred to general reserve No 1 (Rs 2.5 lakh) and Rs 2.88 lakh (Rs 2.38 lakh) to general reserve No 2. After providing Rs 23.26 lakh for the proposed dividend and making adjustments, a sum of Rs 3.60 lakh is carried forward.

The company has received a letter of intent for setting up a multilense project and it is expected to be commissioned in the second half of the year.

Glaxo

Glaxo Laboratories (India) has announced a higher interim dividend of 90 paise per share for the year ending June, 1979 against 80 paise (interim) in the previous year, the proposed dividend, payable on or after May 29, will absorb Rs 97.2

lakhs against Rs 86.4 lakhs in 1977-78.

Ingersoll-Rand

Ingersoll-Rand (India) has announced an equity dividend of Rs 4.50 per share for 1978, compared to Rs 4.20 for the previous year. It has also announced a bonus issue on a one-for-one basis. The preliminary statement from the company on its working results shows a striking increase in turnover and gross profit. The sales have risen by about 53.7 per cent from Rs 8.39 crores in 1977 to Rs 12.90 crores and the gross earnings by 61.3 per cent, from Rs 2.12 crores to Rs 3.42 crores. The ratio of gross profit to sales has improved from 25.2 per cent to 26.5 per cent. The proposed dividend will absorb a sum of Rs 44.39 lakhs against Rs 32.46 lakhs in the previous year. The bonus issue will be made by capitalising a sum of Rs 98.65 lakhs from the share premium account and the general reserves. Out of the gross profit, depreciation claims Rs 29.53 lakhs (Rs 21.60 lakhs), taxation Rs 2.09 crores (Rs 1.21 crores) and investment allowance reserve Rs 8 lakhs, (Rs 5.57 lakhs). The net profit amounts to Rs 95.68 lakhs against Rs 64.16 lakhs for the previous year.

Bharat Alum

Bharat Alum and Chemicals Ltd has sought permission to diversify from its present field of manufacture, namely, sulphuric acid and oleums. It is seeking a letter of intent to manufacture single super phosphate. According to the company sources, a new complex starting from the grass roots for the manufacture of 200 tonnes of single phosphate daily would involve an investment of Rs 3 crores in three years. However, it feels that it can complete the project within six months of receiving the letter of intent at a nominal cost of Rs 60 lakhs. The company has all the infrastructure facilities at its present plant site at Alwar.

Sulphuric acid and phosphate are the two main raw materials required for producing superphosphate. The company sources states that there is enough supply of both. Bharat Alum and Chemicals Limited is also producing ferric alum. Its trial runs are over and commercial production has started. Further, the company has got permission to increase its sulphuric aoid capacity from 50 tonnes to 120 tonnes a day. It hopes to reach the target within three months. The cost of expansion is estimated at Rs 30 lakhs and this will be partly met from internal accruals.

Vijay Mills

Vijay Mills Ltd has shown a higher gross profit of Rs 86.27 lakhs for 1978 as compared to Rs 10 lakhs in the previous year. The sales were modestly higher at Rs 9.74 crores in 1978 as against Rs 8.27 crores in the previous year.

The board of directors have recommended a dividend of Rs 30 (Rs 25 plus Rs 5 bonus) for the year 1978. Last year, the company did not pay any dividend.

Capital and Bonus Issues

The government has accorded consent to fresh capital issue by nine companies and rejected similar applications of three companies. The companies whose applications have been accepted to are as follows:

Dattatraya Industries Private Ltd has been accorded consent, valid for six months, to capitalise Rs 150,000 out of its general reserve and issue fully paid equity shares of Rss 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Desai Brothers Ltd, Poona, has been accorded consent, valid for six months to capitalise Rs 15,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

ATE Pvt Ltd, Bombay has been accorded consent, valid for six months to capitalise Rs 11,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Thakur Savadlkar & Company Ltd, Pune, has been accorded consent, valid for six months, to capitalise Rs 10,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Agarwal Containers Pvt Ltd, Pune, has been accorded consent, valid for six months, to capitalise Rs 360,000 out of its general reserve and issue fully paid equity shares of Rs 1,000 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Escorts JCB Ltd, New Delhi, has been accorded consent, valid for 18 months, to the issue of equity shares of Rs 80 lakh for cash at par. The proceeds the issue will be utilised to meet part finance for setting up a plant for the manufacture of wheeled excavators loaders with accessories/attachments and spares at Ballabgarh, Haryana.

Damodar Bulk Carriers Ltd, Vasco-Da Gama, Goa, has been accorded consent, valid for 18 months, to the issue of equity shares of rupees one crore for eash at part to Salgaocar Group, including their associates companies, friends and associates. The issue is being made to reduce the imbalance in the equity-debt ratio and to fulful the company's commitment in this regard to SDFC.

The Antifriction Bearing Corporation Ltd, Bombay, has been accorded consent, valid for 18 months, to the issue of preference shares and debentures of Rs 50 lakh each for cash at par to the existing Indian shareholders of the comrany as rights in the ratio of one preference share and one debenture for every 23 equity shares held. The proceeds of the issue will be utilised to meet part finance for the company's expansion programme.

Sri Ambuja Petrochemicals Ltd, Hyderabad, has been accorded consent, valid for 18 months, to the issue of equity shares of Rs 85.48 lakh for cash at par. The proceeds of the issue are required to meet preliminary expenditure for setting up a plant at Medak, Andhra Pradesh, for the manufacture of phthalic anhydride.

The applications of the following three companies to raise capital have been rejected :

Aries Ago-Vet Industries Pvt Ltd, Bombay for bonus shares of Rs 2 lakhs.

Industrial Jewels Pvt Ltd, for the issue of bonus shares of the reduced value of Rs 216,000.

General Overseas Marketing Private Ltd, to the issue of bonus shares of one lakh rupees.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of January and February 1979. The list contains the names and addresses of the licensees, articles of manufacture, type of licences—New Undertaking (NU), New Article (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

January 1979

Licences Issued

Metallurgical Industries (Ferrous)

M/s Atlas Cycle Industries Ltd, PB No 20, Sonepat-131 001 (Haryana State)—Sonepat Haryana—(i) ERW M.S. Tubes, (ii) ERW Alloy Steel Tubes—3300 tonnes, 200 tonnes—(NA)

M/s Star Steel Pvt Ltd, Opp Makarpura Rly Station, Village Maneja, Vadodara-391 710—Village Maneja, Dist Baroda, Gujarat—Re-rolling of Steel into Bars, Rods, Flats and Angles etc—32,000 tonnes—(NU)

Electrical Equipment

M/s Advani Oerlikon Ltd, 6, K. Dubash Marg, GPO Box No 1546, Bombay-400 023, (Maharashtra)—MIDC Area, Ahmednagar, Manmad Road, Maharashtra—Tungsten Electrodes—1.5 tonnes—(NA)

Transportation

M/s Indian Seamless Metal Tubes Ltd, Lal Mani—25/31, Dr Atma Ram Merchant Road, Bhubneswar, Bombay-2—Ahmednagar, Maharashtra—Commercial Vehicle Rear Axle castings—12,500 tonnes, Axle Castings for Defence Vehicles including Tanks—1,000 tonnes, Hydraulic Cylinders and pit prop hollows—1,500 tonnes—(NU)

Industrial Machinery

M/s SLM-Maneklal Industries Ltd, Vaswani Mansions, Dinshaw Vachha Road, Post Box No 11066, Marine Lines, Bombay-400 020—Vatva, Taluk Dascroi, Dist Ahmedabad, Gujarat—Non-Lubricated balanced opposed Piston Compressors—160 Nos (within the licensed capacity of 260 Nos of Rotary Air Compressors—(NA)

Machine Tools

M/s Triveni Engineering Works Ltd, 1107, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi—Peenya, Bangalore, Karnataka—Hydraulic Equipment—Rs one crore—(NA)

Earth-Moving Machinery

M/s R.M.T. Drill Private Limited, Pollachi Road, Malumachampatti (PO), Coimbatore-641 021, Tamil Nadu—Coimbatore, Tamil Nadu—Load-haul Dumps—25 Nos—(NA)

Chemicals Other than Fertilisers

M/s Baroda Rayon Corporation Ltd, Hoechst House, 193, Backbay Reclamation, Nariman Point, Bombay-400021—Tehsil Udhna, Dist Surat, Gujarat—Carbon-di-Sulphide—1980 tonnes (after expn)—(SE)

M/s Maharashtra Vegetable Products Ltd, PO Box No 64, Dhulia-424 001, Maharashtra—Tehsil and Dist Dhulia, Maharashtra—Oxygen Gas—0.50 million Cu M—(NA)

Dye-stuffs

M/s Rathi Dye-Chem Pvt Ltd, 27, Shankarshet Road Poona-411 009—Tehsil Roha, Dist Colaba, Maharashtra—(a) Para Amino Azo Benzene 12 tonnes, (b) 4 Nitro 4 Amino Stibene 2:2 Disulphonic Acid 12 tonnes, (c) H Acid 60 tonnes, (d) J Acid 60 tonnes, (e) N Methyl J Acid 12 tonnes, (f) 2:4 Dinitro 6 Bromo Aniline, (g) 2 Chloro 6 Bromo 4 Nitroaniline, (h) 2:6 Dichloro 4 Nitro Aniline, (i) 2:6 Di Bromo 4 Nitro Aniline, (j) Sulpho Tobias Acid, (k) Metapheneleno Diamine Sulfonic Acid, (l) 2 Naphthylamine 3:6;8 Trisulfounic Acid (K Acid), (m) Sulfor J Acid, (n) Sulfo Anthranilic Acid, (o) Para Amino Acetanilide, (p) Meta Ureido Aniline, (q) 6 Chloro-2 Amino Pheno 1:4 Sulfonic Acid, (r) Para Amino Acetanilide 3-Sulfonic Acid, (s) Bromamine Acid, (t) N Benzoyl H Acid, (u) N Benzoyl J Acid, (v) 4 Nitro 2 Amino Phenol—226 tonnes—(f to v) (NA)

Drugs and Pharmaceuticals

M/s Hindustan Antibiotics Limited, Pimpri, Poona-411 018—Pimpri, Poona, Maharashtra—Sterptomycin—170 tonnes after expn—(SE)

Textiles

M/s Karnataka Woollens Ltd, Harinivas, 36, Cunningham Road, Bangalore-560052—Belathur Village, Hunsur Taluk, Mysore, Karnataka—Worsted Yarn—2000 worsted spindles—(NU)

Fermentation Industries

M/s Deevans Modern Breweries Ltd, Bohri, Talab Tillo, Jammu-2—Bohri Talab Tillo, Jammu-2, J&K—Indian Made Foreign Liquors—331 bulk kilo litres—(COB)

Food Processing Industries

M/s Kaira District Cooperative Milk Products Union Ltd, Amul Dairy Road, Anand-388001—Anand, Dist Kheda, Gujarat—Cheese 500 TPA (existing) 625 TPA (after expn). Ghee (By product) 600 TPA (existing) 2000 TPA (after expn), Butter (By product) 3000 TPA (existing) 5000 TPA (after expn)—(SE)

Leather, Leather Goods and Pickers

M/s Tata Exports Ltd, Block A, Shivsagar Estate, Annie Besant Road, Worli, Bombay-400018—Dewas, Madhya Pradesh—Shoe Uppers 7,20,000 pairs—(NA)

Cement and Gypsum Products

M/s Utkal Asbestos Ltd, 48, Forest Park, Bhubaneshwar-751009—Tehsil and District Dhenkanal, Koraput, Orissa—Asbestos Cement Roofing Sheets, Plain Sheets, Fittings etc—36,000 tonnes—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

Mr S. P. Suri (Industrial Fasteners Ltd—Proposed), 92, Friends Colony, New Delhi—Kandla Free Trade Zone—Gujarat—High Tensile Fasteners 500 tonnes—(NU)

M/s Mohan Meakin Breweries Ltd, Unit Mohan Engg Works, Mohan Nagar, Ghaziabad—Mohan Nagar District Ghaziabad UP—Cast Iron Alloy Castings 500 tonnes—(NA)

Metallurgical Industries (Non-ferrous)

M/s Grindwell Norton Ltd, Army and Navy Bldg, 148, Mahatma Gandhi Road, Bombay-400023—Hosur District, Dharamapuri, Tamil Nadu—Ultra Pure Silicon (Polycrystalline, Single Crystals and Wafers) 15 tonnes—(NA)

M/s Mettur Chemical and Industrial Corpn. Ltd, Mettur Dam-636402—Teh Mettur, District Salem—Tamil Nadu—Silicon (metel) pure electronic grade—10,000 kgs—(NA)

Electrical Equipment

M/s Intrasil Incs, 10710 North Tantau Avenue, Cupertine, California, 95014 USA—SEEPZ—Maharashtra—Complex integrated circuits 20 million nos—(NU)

M/s Bengal Electric Lamp Works Ltd, 4 Fairlie Place, Calcutta-700001—Teh Hoskote, District Bangalore—Karnataka—Sodium Vapour Discharge Lamps 100,000 pcs—(NU)

M/s Hindustan Cables Ltd, PO Hindustan Cables, Hyderabad-500051—Hyderabad, Andhra Pradesh—Jelly Filled Cables 5.6 lakhs CKM (after expn)—(SE)

M/s Shreeshyla Electronics Pvt Ltd, Shreeshyla, Kanakpura Road, Bangalore-560062—Bangalore, Dirtrict South Kanara—Karnataka—Electronic Grade Copper Clad Laminates 7.2 lakh sq mtrs—(NU)

Mr M.S. Kamath, ME No 13, Terpentine St Richmond Town, Bangalore-569025—Mysore—Karnataka—Ceramic Capacitors 40 mill nos—(NU)

M/s Amphetronix Ltd, P Box No 1, Plot No 105 Bhosari Indl Area, Poona-411026 (Maharashtra)—Outside the Municipal limits of the City of Poona—Maharashtra—Professional grade switches 5 lakh nos, Professional grade relays 5 lakh nos—(NA)

M/s Jyoti Ltd, PO Chemical Industries, Baroda-390053—Baroda—Gujarat—Vacuum Contactors 3.3 KV—11.0 KV class 600 nos, Sheet steel clad control panels incorporating vacuum contactors 3.3 KV—11 KV class: 400 nos—(NA)

M/s Hindustan Cables Ltd, PO Hindustan Cables, Dist Burdwan, West Bengal—Burdwan—West Bengal—Jelly filled cables 6 lakh CKM, Telecommunication cables (coaxial cables) 2000 TKM (capacity of expn)—(NA/SE)

M/s Kirloskar Electic Co Ltd, Post Box No 5555, Malleswaram, West Bangalore-560055—Mysore—Karnataka—Industrial Heating equipment such as:—(a) Induction Heaters and Welders upto 400 KW, with associated handling equipment like—Vertical Shaft Hardening Machine; Horizontal shaft Hardening Machine; Billet Heater Crystal Growing equipment; Zone Refining equipment; Tube Welding equipment; Rotary Indexing Machine—50 nos, (b) Die-Electric Heaters up to 12 KW with associated handling equipment like—Single Edge Lipping Press; Double Tray Lipping Press; Carcase press, Edge Bonding press; Shape press; Double Edge lipping Press—25 nos. (c) Plastic Welders up to 50 KW with associated handling equipment like—Hydraulic press; Transfer unit; Card Freed device; Unit Triumph 2000; Unit Auto miner: Unit Triumph 4000; Plastic Sheet Slitter—75 nos—(NA)

Transportation

M/s India Pistons Rapco Ltd, 202, Mount Road, Madras-600002—Kakkalpur, District Chingleput, Tamil Nadu—Fly-Wheet Ring Gears—102,000 nos (existing) 200,000 nos (after expn)—(SE)

Industrial Machinery

M/s Midco India Pvt Ltd, 6B Brighton No 2, Napean Sea Road, Bombay-400006—KFTZ, Gujarat—Petroleum handling and service station, equipment including gasoline, dispensing pumps flow meters, lubrication equipment hoists, air gauges, air compressors, over 5 HP refuellers and other accessories—135 lakhs—(NU)

M/s Associated Bearing Co Ltd, Hoechst House, Nariman Point, Bombay-400021—Chinchwad, Dist Pune—Maharashtra—I. Top arms—for textile ring frames and speed frames 50,000 nos, II. Connected accessories—(i) Top Rollers 1,10,000 nos, (ii) Top Apron Cradles: 50,000 nos, (iii) Bottom Roller Bearings: 300,000 nos—(SE)

Machine Tools

M/s Usha Telehoist Ltd, 410, Meghdoot, 94, Nehru Place, New Delhi-110019—Budge Budge, District 24-Parganas—West Bengal—Hydraulic Cylinders—4,000 nos (but not exceeding 16,000 running metres of finished cylinders)—(NA)

Drugs and Pharmaceuticals

M/s Sunil Synchem Ltd, 909, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi-110001—Alwar, Rajasthan—L Methyl Dopa 24 tonnes—(NU)

M/s Indian Dairy Corporation, Darpan, R.C. Dutt Road Baroda—390005—Teh and District Gurgaon, Haryana—Foo and mouth disease vaccine—25 million quadrivalent doses—(NU)

Textiles

M/s Ludhiana Woollen and Silk Mills, 34-B, Jolly Make Chambers, 3rd Floor, Nariman Point, Bombay-400021—Kandl Free Trade Zone, Gujarat—Embroidered Solvron cloth, stretch ed nylon, nylon georgette, shamma sattin, terricot, cotton piec goods etc (all embroidered)—900,000 metres—(NU)

Food Processing Industries

Sardar Ajit Singh Bhogal (Kenya), C/o M/s Chandra Gupt and Associates, 213, New Delhi House- 27, Barakhamba Road New Delhi-110001—Malted milk products and other milk derivatives—12,000 tonnes—(NU)

Vegetable Oils and Vanaspati

M/s Andhra Pradesh Industrial Development Corpn Ltd 'Parisrama Bhavanam, Fateh Maidan Rd, Hyderabad-500029—Backward Area in District Nalgonda, Andhra Pradesh—Casto Oil—Refined/Dehydrated and their fatty acids, Glycerine, Epox Esters, Alkyl resins, Blown and Sulphonated Castor Oil Polyols, Castor Cake, Dimer Acids, Polyamides, Sebacic Acid Octanol—50,000 tonnes in terms of castor seed—(NU)

Cement and Gypsum Products

M/s Hindustan Lever Ltd, Hindustan Lever House, 165/166 Backbay Reclamation, Bombay-400020—Madhya Pradesh—Portland/Pozzolana Cement 4 lakh tonnes—(NU)

M/s Century Cement, (Prop: The Century Spg and Mfg C Ltd), PO Baikunth-493116, Dist Raipur, Madhya Pradesh—Portland Cement 8 lakh tonnes (after expn)—(SE)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

Gujarat—M/s Gujarat Rajya Sahakari Kapasiya Udyo Mandal Ltd—to—M/s Gujarat State Co-operative Oil Industr Ltd

Punjab—M/s Punjab State Industrial Dev Corpn Ltd—to—M/s Malwa Cotton Spinning Mills Ltd

Kerala—M/s Kerala State Industrial Dev Corpn Ltd—to—M/s Malabar Cements Ltd

Maharashtra—M/s Ex-Cell-O India Ltd—to—M/s XL India Ltd

Licences Revoked or Cancelled

(Information pertains to particular licences only)

Naini, Allahabad—UP—M/s Triveni Engineering Work Lt —Hydraulic Presses etc—(Revoked)

Alampur. Distt Mehboobnagar—AP—M/s The Nizam Suga Factory Ltd Hyderabad—Sugar—(Revoked)

Bastar—MP—M/s Raghuvir Match Udyog, Dist Basta (MP)—Matches—(Revoked)

Maharashtra—M/s Bombay Fine Worsted Manufacture Thana (Maharashtra)—Worsted Spinning Frames etc—(Revoke

Maharashtra—M/s Zell-Ate Ltd Bombay—Electro-Magneti Card, Stop and Speed Steering Device for Cards—(Revoked)

Patna, Bihar—M/s Speedcrafts Pvt Ltd, Patna—Complet bicycles—(Cancelled)

Maharashtra—M/s Arya Heavy Chemicals Ltd, Bombay—Potassium Chlorate—(Revoked)

Durgapur, Dist Burdwan—West Bengal—M/s CIC Chemica

Pvt Ltd Calcutta—Chlorinated Diphenyls, Chlorinated Naphthalene and Chlorinated Paraffins—(Revoked)

Punjab—M/s Vijay Steel and General Mills Co Ltd, New Delhi—Complete Equipment for Brew House and Malt House—(Revoked)

Assam—M/s Steelworth Ltd Calcutta—Trailers of various types including jeep trailers—(Cancelled)

Karnataka—M/s Davangere Cotton Mills Ltd, Devangere (Karnataka)—Cotton Yarn—(Revoked)

Ghaziabad—UP—M/s Goel Steel Corpn, Delhi—Bright Bars —(Revoked)

Letters of Intent, Cancelled or Lapsed

(Information pertains to particular letters of intent only)

M/s Five Star Industrial & Engineering Co (Pvt) Ltd, Bombay—Maharashtra—Synthetic Resins—(Lapsed)

M/s Premier Tyres Limited, Bombay—Kerala—Fan and V belts—(Cancelled)

M/s Bengal Arc Steel Ltd, Calcutta—West Bengal—Rolling Mill—(Lapsed)

M/s Goenka and Company, Calcutta—Rajasthan—Vitamin C—(Lapsed)

M/s Industrial Promotion and Industrial Corporation of Orissa Ltd, Bhubaneswar (Orissa)—Orissa—Calcium Carbide—(Lapsed)

M/s Nuchem Plastics Ltd, Faridabad—Polycarbonate Resins and Phosgene—(Lapsed)

M/s Jay Gases (Pvt) Ltd, Mandi Gobindgarh (Pb)—Punjab—Oxygen Gas—(Lapsed)

M/s Atul Chemical Industries Ltd, Bombay—Gujarat—Polyacetal Resins—(Lapsed)

M/s Associated Cement Companies Ltd, Bombay—Bihar—Portland blast furnace slag—(Lapsed)

M/s Bihar State Industries Development Corporation Ltd Patna—Bihar—Auto Wheel Rims—(Lapsed)

Mr Pawan Kumar Kanoria, Calcutta—Silicon Carbide—(Cancelled)

Mr Yogindra Singh C. Potdar, Bhopal (MP)—Madhya Pradesh—Industrial gases—(Lapsed)

M/s W.G. Forge and Allied Industries Ltd, Thana (Maharashtra State)—(Maharashtra)—Drill Rods and Couplings—(Lapsed)

The Punjab State Industrial Development Corporation Ltd Chandigarh—Punjab—Glass Bottles—(Lapsed)

M/s Shri Shanti Textile Mills (Pvt) Ltd, Bombay—Bombay—Synthetic Yarn Knitted Fabrics—(Cancelled)

M/s Karnataka Aluminous Cements (P) Ltd, Bangalore—Karnataka—High Alumina Cement—(Lapsed)

Karnataka State Industrial Investment and Development Corporation Ltd, Bangalore—Karnataka—Refractory items—(Lapsed)

February 1979

Licences Issued

Metallurgical Industries (Ferrous)

M/s H.R. Gupta Industries, 10/A, Modern Industrial Estate, Bahadurgarh-124 507, Haryana—Bahadurgarh, Haryana—Cold Rolled Strips/Box Strappings—2,100 tonnes (subject to revision) —(COB)

M/s Atma Tube Products Ltd, 112, Ansal Bhavan, Kasturba Gandhi Marg, New Delhi-110 001—Dera Bassi (i) Patiala Punjab and (ii) Ghaziabad Uttar Pradesh—HFW Precision Steel Tubes size 12 mm to 50 mm OD—10,000 tonnes (The installed capacity of the Dera Bassi unit shall be 6,000 tonnes per annum and that of the Ghaziabad unit shall be 4,000 tonnes per annum)—(NU)

Fuels

M/s Cochin Refineries Ltd, Post Bag 2, Ambalamugal-682 302, Ernakulam District, Kerala—Ernakulam, Kerala—Aviation turbine fuel (K-50)—24,000 tonnes—(NA)

Electrical Equipment

M/s Ainsworth Balances Ltd, 501, Janmabhoomi Chambers, Walchand Hirachand Marg, Bombay-400038—Nasik, Maharashtra—(i) Single/Dual Pan Electronic Precision Balance (Weighing range up to 16,000 gms) 5,000 Numbers, (ii) Single/Dual Pan Electro Mechanical Precision Analytical Balance (weighing range up to 7,000 gms) 3,000 Numbers, (iii) Sedimentation Balances (for determinations in the particle size range 1 to 150 microns) 1,000 Numbers, (iv) Thermogravimetric Balances (weighing range 25 gms) 250 Numbers, (v) Automatic Table weigher (weighing range 1.4 gram+0.14 gram) 250 Numbers, (vi) Automatic weighing units (Electronic Precision balances for spicial applications) 250 Numbers—(NU)

M/s Andrew Yule and Co Ltd, Yule House, 8 Clive Row, Calcutta-700 001—Mayurbhanj Road, Calcutta—WB—FLP Air-break Circuit Breakers up to 400 Amps 300 to 600 nos (after expn), FLP Air-Break Gate End Boxes and Starters up to 250 HP 1050 to 1800 nos (after expn), FLP Aircooled Signalling and Lighting Transformers 200 to 300 nos (after expn), FLP Control Switches 400 to 800 nos (after expn) New Articles—FLP Drill Control Panel 1200 nos, FLP 3.3 KV Oil/Air break Starters (up to 1200 HP) 300 nos, FLP 3.3 KV Oil/Air Break Circuit Breakers 300 nos, FLP Flame Proof Transwitch units 100 nos—(NA/SE)

Transportation

M/s Brakes India Ltd, 37, Mount Road, Madras-600 006—North Arcot—Tamil Nadu—Permanent Mould Castings 5000 tonnes—(NA)

M/s Bharat Forge Co Ltd, Mundhwa, Pune-411 036—Pune, Maharashtra—Finished Machined Crankshafts 25,000 nos per annum (existing) 60,000 Nos per annum (after expn)—(SE)

Industrial Machinery

M/s Madras Industrial Linings Ltd, 42/8, Gilchrist Avenue, Harrington Road, Madras-600031—Ambatur—Tamil Nadu—Scrubber Cyclones, Air Washers, Gas Absorption Towers, Humidifiers and Dehumidifiers, Odour Control Equipment, Accessories for above Rs 50 lakhs—(NA)

Machine Tools

M/s Orissa Tool and Engineering Co Ltd, Sunabeda-763 001, District Koraput, Orissa—Sunabeda Koraput—Orissa—Special drills. counter bores, reamers, milling cutters, single point HSS tools, (single point carbide tipped tools) and jigs and fixtures 140.7 lakhs—(NU)

Miscellaneous Industries

M/s Caprihans India Ltd, Block D, Shivsagar Estate, Worli, Bombay-400 018—Satpur, Nasik—Maharashtra—(i) Hollow Plastic Corrugated Boards (LDPE) 525 tonnes, (li) Polypropylene 525 tonnes—(NA)

Commercial, Office and Household Equipment

M/s Godrej and Boyce Mfg Co (P) Ltd, Godrej Bhavan, Home Street, Bombay-400 001—Vikhroli Greater Bombay, Maharashtra—Domestic Refrigerators/Compressors 30,000 Nos (existing) 100,000 Nos (after expn) —(SE)

Fertilisers

M/s Indian Explosives Ltd, (Fertiliser Division), 34, Chowringhee, Calcutta-700 016—Panki, Kanpur, Uttar Pradesh—(a)

Ammonia, 1,37,000 tonnes (existing) 411,000 tonnes (after expn) (b) Urea 225,000 tonnes (existing) 675,000 tonnes (after expn)—(SE)

Chemicals Other than Fertilisers

M/s BASF India Ltd, Tiecicon House, Dr E. Moses Road, Bombay-400 011—Turbhe Thane—Maharashtra—Corial EM Finish G 50 tonnes, Finishing agent AH 130 tonnes, Finishing agent PH 25 tonnes, Degreasing agent B 60 tonnes, Lepton Wax 90 tonnes, Delimer-D 40 tonnes, Lepton Finishes 100 tonnes, Asulgan K 40 tonnes, Soromin HS 12 tonnes, Implenal AP 25 tonnes, Neutrigan 25 tonnes, Leather Bating Agents 300 tonnes **Total: 867 tonnes**—(COB)

M/s Chemicals and Fibres of India Ltd, Crescent House, 19, Walchand Hirachand Marg, Bombay-400 038—Thane—Maharashtra—Polyester Staple Fibres—6100 tonnes (existing) 10,000 tonnes (after expn)—(SE)

M/s Shri Ambuja Petrochemicals Ltd, Hyderabad, C/o Shri Ambica Mills Ltd, Kankaria Loco Siding, PB No 112, Ahmedabad-380008—Medak—Andhra Pradesh—Phthalic Anhydride 6,000 tonnes—(NU)

M/s Poona Oxygen and Acetylene Co Pvt Ltd, 40/41, Hadapsar Industrial Estate, Poona-411 013 Maharashtra—Hadapsar Poona, Maharashtra—Nitrogen Gas 0.50 million cubic metres—(SE)

M/s Colour Chem Ltd, Ravindra Annexe, Dinshaw Vachha Road, 194, Churchgate Reclamation, Bombay-400020—Maharashtra—Aluminium Chloride Anhydrous 1,000 tonnes—(NA)

M/s Hindustan Lever Ltd, Hindustan Lever House, 165/166, Backbay Reclamation, Bombay-400 020—Andheri, Bombay, Maharashtra—Linalool 12 tonnes (existing) 50 tonnes (after expn)—(SE)

M/s Diamines and Chemicals Ltd, In the premises of Bharat Vijay Mills Ltd, Kalol (North Gujarat)-382721—Baroda, Gujarat—Ethylene Diamine and Polyamines 2,000 tonnes—(NU)

Dye-stuffs

M/s Rathi Dye-Chem Pvt Dtd, 27, Shankarshet Road, Poona-411 009—Colaba—Maharashtra—Reactive Dyes 120 tonnes—(NU)

M/s Colour Chem Ltd, Ravindra Annexe, Dinshaw Vachha Road, 194, Churchgate, Reclamation, Bombay-400020—Thane, Maharashtra—Vinyl Sulphonic Reactive Dyes—90 tonnes (existing) 500 tonnes (after expn)—(SE)

Drugs and Pharmaceuticals

M/s Indian Drugs and Pharmaceuticals Ltd, N-12, South Extn, Part-I, Ring Road, New Delhi-110049—Hyderabad, Andhra Pradesh—6-Deoxy-5-Oxy-Tetracycline Hydrochloride 5000 BU—(NA)

M/s Indian Drugs and Pharmaceuticals Ltd, N-12, South Extn, Part-I, New Delhi-110049—Dehradun—Uttar Pradesh—Formulation of Neomycin corresponding to 2 tonnes of the bulk drug, Formulations of Cephalexin corresponding to 1 tonne of the bulk drug—(NA)

M/s Ranbaxy Laboratories Ltd, 78, Nehru Place, New Delhi-110 024—Rupar Punjab—(i) Cloxacillin (new article) 24 tonnes (after expn), (ii) Ampicillin Trihydrate 5 tonnes—Formulations—Ampicillin Sodium injections 200 kg (existing) 600 kg (after expn) 12 lakh vials—(NA/SE)

Textiles

M/s S.K. Sajdeh and Sons, 2/485, Takwadi Kalbadevi Road, Bombay-2—Kashmir Road Amritsar, Punjab—Shoddy Woollen Yarn 600 shoddy spindles (other than worsted and woollen), Shoddy Blankets 4 Powerlooms—(COB)

M/s Shri Bharat Woollen Mills, GT Road, Chheharta, Amritsar Punjab—Chheharta—Punjab—Shoddy Woollen Yarn 600 shoddy spindles (other than worsted and woollen), Shoddy Blankets 8 Powerlooms—(COB)

M/s Delhi Cloth and General Mills Co Ltd, (Unit: Shriram Rayons), Akash Deep, 5th Floor, Barakhamba Road, New Delhi-110001—Kota—Rajasthan—Viscose Rayon Tyre Cord Yarn—5000 tonnes (existing) 7000 tonnes (after expn)—(SE)

Sugar

M/s Modi Industries Ltd, Modinagar (UP)—Modinagar Ghaziabad—Crystal Sugar from 1050 tonnes to 1500 tonnes (after expn) Daily Cane Crushing Capacity—(SE)

Fermentation Industries

M/s Niphad Sahakari Sakhar Karkhana Ltd, Pimplas, PO Bhaushebnagar, Tal Niphad, Distt Nasik, Maharashtra—Nasik Maharashtra—Indian made Foreign Liquors and Country Liquors 1100 bulk kilo litres (on provisional basis)—(COB)

Glass

M/s Hindustan National Glass and Industries Ltd, Bahadurgarh (Haryana)—Bahadurgarh—Haryana—(i) Glass Bottles 31,500 tonnes (after expn), (ii) Vials 2,500 tonnes (after expn), (iii) Pressed Ware 5,000 tonnes (after expn)—(SE)

Cement and Gypsum Products

M/s Panyam Cements and Mineral Industries Ltd, Bugganipalli, Cementnagar-518236, Kurnool District, Andhra Pradesh—Portland Cement—4.88 tonnes (existing) 5.31 tonnes (after expn)—(SE)

M/s Mysore Cements Ltd, 'Industry House' 45, Race Caurse Road, Bangalore-560001—Tumkur—Karnataka—Portland Cement 4 lakh tonnes (existing) 5.1 lakh tonnes (after expn)—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Tata Iron and Steel Co Ltd, 24, Homi Mody Street, Fort, Bombay-400023—Singhbhum, Bihar—Carbon and Alloy Steel Rings, Annular Forgings and Flanges of 150 to 1100 mm OD 5250 tonnes—(NA)

Transportation

M/s Bharat Gears Ltd, Allahabad Bank Building, 17, Parliament Street, New Delhi-1—Outside the Standard Urban Area of Bombay, Thane—Maharashtra—Automotive Gears (Spur, Helical, Spiral Bevel, Straight Bevel and Worm Gears) 1000 tonnes (existing) 1500 tonnes (after expn)—(SE)

Chemicals Other than Fertilisers

M/s Rallis India Ltd, Rallis House, 21, Reveline Street, Fort, Bombay-400001—Maharashtra—Carbofuran Technical and its formulations 400 tonnes—(NU)

M/s Atul Products Ltd, PO Atul (W Rly), Distt Bulsar-396020—Bulsar, Gujarat—Nitrofen Technical 50 tonnes per annum—(NA)

Drugs and Pharmaceuticals

M/s Pradeshiva Industrial and Investment Corporation of UP Ltd, 8, Vivekanand Marg, Lucknow-226001—Outside the Municipal limits of Lucknow, Uttar Pradesh—Formulation involving the following bulk drugs and their consumption (in kgs)—**I Tablets**—Thiccetazone 1650, INH 15400, Acetyl Salicylic Acid (Aspirin) 33083, Phenacetin 8250. Caffein 1650, Phthalyl Sulphathiazole 27500, Dapsone 509, Iodochlorohydroxyquinoline 8250, P-heniramine Maleate 275, Magnesium Trisilicate 5500, Aluminium Hydrogide gel 2750, Ferrous Sulphate 13750, Paracetamol 2750, Predinisolone 11, Phenyl Butazone 220, Theophylline 1650, Ephedrine Sulphate 282, Phenobarbitone 90, Nitrofurantoin 27.5, Aminophylline 220‘ Chlordiazepoxide 14, Chlorpromazine 19.3, Triffuoperazine 3, Ethenyl Estradiol 1.1, Chloquin Phosphate 138, Amodiaquin 688, Vitamin C 4744, Vitamin B1 440, Folic Acid 55, Vitamin B2 134, Vitamin B6 56.2, Vitamin B12 135.3 gm, Nicotinamide 784, Calcium Pantothenate 120; Vitamin A 8250 MU, Pot Penicillin V 500—**II Capsules**—Neomycin Sulphate 27.5, Secobarbital 11, Tetracylline Hcl 1375, Oxytetracycline Hcl 1375—**III Injectables**—Mannitol 1540, Dextrose 36575, Pethidine Hcl 55, Aminophylline 137.5; Ergometrine Maleate 0.1, Adrenaline 1.21, Noradrenaline Bitartarate 110 gm, Morphine Sulphate 2.0, Atropine 1.0, Colloidal Calcium 20, Lignocaline 273, Hydrocortisone Acetate 7.0, Testosterone Propionate 5.5, Progestrone 5.5, Oestradiol Benzoate 0.6, Benzyl Alcohol 88, Procaine Hcl 88, Roli-Tetracyline 33—**IV Ointments**—Nitrofurazone 7.04, Iodine 22, Methyl Salicylate 27.5—**V Syrups and Tinctures**—Magnesium Hydroxide 1279, Codeine Phosphate 11, Piperazine Citrate 908—(NU)

M/s The Boots Company (India Ltd, 17, Nicol Road, Post Box 680, Bombay-400 038—Ahmednagar, Maharashtra—Ibuprofen 9 tonnes (additional) 15 tonnes (after expn)—(SE)

Ceramics

M/s Ceramin India, Mani Bhuvan, Panchanth Road, Rajkot—Kandla Free Trade Zone, Gandhidham—Calcined bauxite, calcined clay-refractory, calcined and fused alumina 25,000 metric tonnes—(NU)

Cement and Gypsum Products

M/s Larsen and Toubro Ltd, L&T House, Narottam Morarji Marg, Ballard Estate, Bombay-400038—Chandrapur, Maharashtra—Portland Cement 11.09 lakh tonnes—(NU)

Licenses Cancelled or Revoked

(Information pertains to particular licences only

M/s Abbott Laboratories (I) Pvt Ltd, Fort, Bombay—Maharashtra—Erthromycin etc—(Cancelled)

M/s Henry S, Clark and Co Calcutta—West Bengal—Bismuth Salts, Citrates etc—(Cancelled)

M/s Kanthavel Steels (P) Ltd, Coimbatore—Tamil Nadu—Mild Steel ingots—(Revoked)

Mr Gopaldas Gupta, C/o Mahathewada Paper Mills Ltd, Fort, Bombay-1—Maharashtra—Pulp, Packing and Wrapping Paper—(Revoked)

M/s Jawala Textile Mills, Haryana—Haryana—Cotton Cloth—(Revoked)

M/s Tamil Nadu Sugar Corporation Ltd, Madras—Tamil Nadu—Sugar—(Revoked)

The Girdhardas Harivallavdas Mills Ltd, Ahmedabad, Gujarat State—Gujarat—Cotton Yarn—(Revoked)

M/s Kwality Spinning Mills Pvt Ltd, Tamil Nadu—Tamil Nadu—Cotton Textiles—(Revoked)

Mr G.L. Jhunjhunwala, Jaipur—Rajasthan—Cotton Yarn—(Revoked)

M/s Raja Bahadur Motilal Poona Mills Ltd, Fort, Bombay—Maharashtra—Cotton Textiles—(Revoked)

M/s M.P. Spinning and Weaving Mills Pvt Ltd, Bombay—Maharashtra—Cotton Yarn/Cloth—(Revoked)

M/s Hope Textiles Ltd, Indore, Madhya Pradesh—Madhya Pradesh—Cotton Yarn—(Revoked)

M/s Shree Visalakshi Mills Pvt Ltd, Madurai—Tamil Nadu—Cotton Textiles—(Revoked)

M/s Shaktigarh Textile and Industries Ltd, Calcutta—West Bengal—Cotton Cloth—(Revoked)

Letters of Intent Cancelled or Lapsed

(Information pertains to particular Letter of Intent only)

M/s Lohia Machines Pvt Ltd Kanpur—UP—Industrial Sewing Machines—(Lapsed)

M/s Apar Pvt Ltd, Bombay—Maharashtra—Drugs and Pharmaceuticals—(Lapsed)

M/s Vijay Kumar Kanoria, Calcutta—Maharashtra—Ethyl Aceto-acetate etc—(Lapsed)

M/s Steel Cast (Bhavnagar) Pvt Ltd, Bhavnagar—Gujarat—Centrifugal Castings and High Alloy Steel Castings—(Cancelled)

M/s Apar Pvt Ltd, Bombay—Maharashtra—Biscuits—(Cancelled)

M/s Sonar Paper Products Pvt Ltd, New Delhi—Himachal Pradesh—Asbestos Cement Products—(Lapaed)

M/s Stan Ships Industrial Complex Ltd, Trivandrum—Kerala—Fishing Trawler—(Cancelled)

M/s Kulkarni Engg Associates Pvt Ltd, Sangli—Maharashtra—Alloy Steel Castings (including High Alloy Castings)—(Lapsed)

M/s Nationale Air Products Ltd, New Delhi—Rajasthan—Steel rerolled products—(Lapsed)

Mr Ashok J. Patel, Ahmedabad—Madhya Pradesh—Pulp and Paper—(Lapsed)

Mr S.V. Mehta, Calcutta—Maharashtra—Alpha Naphthylamine etc—(Lapsed)

M/s J.N. Kanth and Company, Bombay—Gujarat—Disperse Dyes—(Lapsed)

Mr Vijay Kumar Kanoria, Bombay—Maharashtra—Dye intermediates—(Lapsed)

M/s Bawri Plywood Industries, Dimapur (Nagaland)—Nagaland—Qualities of Plywood—(Lapsed)

M/s Byford Ltd, New Delhi—Bihar—High Duty Iron Castings and Malleable Iron—(Lapsed)

Mr Hasmukh S. Desai, C/o M/s Indo Orient Agencies (P) Limited, Bombay—Gujarat—ECG Monitor etc—(Lapsed)

M/s K.T.M. Abbur Khader, Madras—Karnataka—Potassium Chlorate—(Lapsed)

M/s K.C.P. Ltd, Madras—Andhra Pradesh—Paper (Writing, Printing, Packing and Wrapping)—(Lapsed)

Mr Jayant Dalal, Bombay—Gujarat—L. Menthol and Thymol etc—(Lapsed)

M/s Zaverchand Gaekwad Pvt Ltd, Baroda—Gujarat—High Pressure Metallic Wire Braided flexible tubes—(Lapsed)

M/s Rathi Rod Mills Ltd, New Delhi—Maharashtra—High Tensile Wire Rods—(Lapsed)

M/s Sakthi Pipes Ltd, Madras—Tamil Nadu—Mild Steel Ingots/Billets—(Lapsed)

M/s Suguna Mills Pvt Ltd, Coimbatore—Maharashtra—Staple fibre yarn—(Closed)

M/s Auto Mughals (P) Ltd, Bombay—Maharashtra—High Pressure Hoses—(Lapsed)

M/s Nerurkar and Associates, Indore—Madhya Pradesh—Chloroquin Sulphate etc—(Lapsed)

RECORDS AND STATISTICS

Wholesale prices

(Base : 1970-71=100)

Review for the week ended March 31, 1979

THE OFFICIAL wholesale price index for 'All Commodities' stood at 190.5 (provisional) during the week ended March 31, 1979 as against 189.4 (provisional) for the previous week. At this level, the index was higher by 0.6 per cent and 4.4 per cent respectively when compared to the previous week and that of a year ago.

Groupwise analysis of price movement is shown below :

The index for 'Food Articles' moved up by 0.2 per cent to 169.6 as against 169.3 for the previous week due to a rise in prices of masoor (+8 per cent), moong and urad (+4 per cent each), bajra (+2 per cent) and jowar, arhar, fruits & vegetables, fish and spices & condiments (+1 per cent each). However, prices of eggs (—2 per cent), barley and ragi (—2 per cent each) and wheat, maize, gram and ghee (—1 per cent each) declined.

Enhanced prices of raw rubber (+6 per cent), niger seed and soyabeans (+5 per cent each), mahua seed (+4%), raw hides (+3%), mesta and raw skins (+2% each) and raw cotton (+1%) pushed up the index for 'Non-food Articles' by 0.3 per cent to 174.0 as against 173.5 for the previous week. Prices of copra (—3%), raw wool and linseed (—2% each) and raw silk, cotton seed, castor seed and kardi seed (—1% each), however fell.

The index for 'Minerals' group stood stationary at its previous week's level of 505.6.

The index for Fuel Power, Light & Lubricants remained firm at its last week's level of 258.4.

Among manufactured products, the index for 'Food Products' advanced by 3.7 per cent to 164.1 as against 158.3 for the earlier week owing to an increase in prices of khandsari (+12%), gur (+8%), sugar and solvent extracted groundnut oil (+4% each), cotton seed oil (+3%) vanaspati and mahua oil (+2% each) and oil cakes (+1 %). However, prices of groundnut oil, coconut oil, gingelly oil, kardi oil and rice bran oil (—1% each) declined.

The index for 'Beverages. Tobacco & Tobacco products' stood stationary at its previous weeks level of 192.5.

The index for 'Textiles' group went up by 0.2 per cent to 182.4 as against 182.1 for the earlier week due to an advance in prices of handloom & power loom cloth (+1 %).

The index for 'Paper & Paper products' remained unchanged at its previous week's level of 206.5.

The index for 'Leather & Leather products' stood stationary at its previous week's level of 309.5.

The index for 'Rubber & Rubber products' registered a rise of 4.0 per cent to 197.3 as against 189.8 for the previous week due to an increase in prices of tubes (+9 %) tyres (+5%) and camel back (+1%).

The index for 'Chemicals & Chemicals products' group came down by 0.5 per cent to 180.8 as against 181.7 for the previous week due to a fall in prices of phosphatic fertilizer (—12 %) and dyeing materials (—2 %). However, prices of synthetic detergents (+6 %), oxygen and castor oil (+4 % each), nitric acid (+3 %), soap and polyester fibre (+2% each) and liquid chlorine (+1 %) advanced.

The index for 'Non-metallic mineral products' stood at 223.4 as against 223.2 for the previous week. Prices of ACC cement products (+2 %) moved up.

Higher prices of steel files (+21 %), carbide tipped tools (+20%) tin boxes & containers (+2 %) and bolts & nuts and copper & copper alloys (+8 % each) raised the index for 'Basic metals alloys & metal products' by 0.4 per cent to 220.0 as against 219.2 for the last week.

The index for 'Machinery & transport equipments' group stood at 194.2 as against 194.1 for the previous week. Items which showed variations during the week were : wheels (+8%), typewriters (+6 %) mining machinery (+2%); motor starters (—2%) and three wheelers (—1 %).

The index for 'Miscellaneous products' rose by 0.2 per cent to 199.7 as against 199.2 for the previous week owing to an advance in prices of wood screws (+8 %) and particle board (+5 %).

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups (Base: 1970-71=100)

Major groups/ groups and sub-groups	Weight in relation to all-commodities	Week ending				
		31.3.79	24.3.79	3.3.79	3.2.79	1.4.78
		(Provisional)			(Final)	
1	2	3	4	5	6	7
ALL COMMODITIES	1000.00	**190.5**	**189.4**	**186.7**	**184.2**	**182.5**
I. **Primary Articles**	416.67	**180.8**	**180.4**	**177.9**	**178.5**	**178.4**
A. **Food Articles**	297.99	**169.6**	**169.3**	**167.0**	**166.2**	**170.4**
Foodgrains (i+ii)	129.22	170.7	170.1	168.9	171.0	169.4
i) Cereals	107.43	156.9	156.7	156.4	157.4	155.7
ii) Pulses	21.79	239.0	235.9	230.5	238.2	236.8
iii) Fruits & vegetables	61.32	154.8	153.7	144.1	140.0	164.1

—*Contd.*

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups—*Contd.*

1	2	3	4	5	6	7
iv) Milk & milk products	61.50	165.4	165.9	165.7	162.1	156.0
v) Eggs, fish & meat	18.97	219.8	222.0	226.8	226.0	207.9
vi) Condiments & spices	10.94	150.6	149.8	143.0	157.8	181.0
vii) Other food articles	16.04	186.6	186.3	190.4	178.7	206.3
B. Non-food Articles	106.21	**174.0**	**173.5**	**170.0**	**174.6**	**165.1**
i) Fibres	31.73	167.7	167.1	165.4	165.8	176.5
ii) Oilseeds	42.01	152.2	152.7	147.1	149.6	155.4
iii) Other non-food articles	32.47	208.5	206.7	204.0	215.6	166.4
C. Minerals	12.47	**505.6**	**505.6**	**505,4**	**504.8**	**484.9**
i) Metallic minerals	2.29	204.7	204.7	204.7	204.7	198.2
ii) Other minerals	4.16	202.8	202.6	202.6	200.2	196.4
iii) Petroleum crude & natural gas	6.02	830.0	830.0	829.6	830.0	793.9
II. Fuel, Power, Light & Lubricants	84.59	**258.4**	**258.4**	**258.5**	**240.3**	**243.7**
i) Coal mining	11.47	211.5	211.5	211.5	211.3	211.3
ii) Mineral oils	49.12	291.4	291.4	291.5	260.1	271.2
iii) Electricity	24.00	213.5	213.5	213.5	213.5	203.0
III. Manufactured Products	498.74	**187.1**	**185.3**	**181.8**	**179,5**	**175.6**
A. Food Products	133.22	**164.1**	**158.3**	**147,3**	**144.7**	**159.2**
i) Dairy products (incl. processed milk & tinned milk)	3.88	208.3	208.3	208.3	208.3	201.9
ii) Canned & preserved fruits & vegetables	0.39	175.0	175.0	175.0	166.6	166.6
iii) Canned & preserved fish & seafood	0.36	214.4	214.4	214.4	206.0	206.0
iv) Grain mill products	4.64	167.9	167.9	167.9	166.1	168.4
v) Bakery products	1.85	156.8	156.8	157.4	157.4	159.4
vi) Sugar, khandsari & gur	72.41	159.4	149.2	135.0	131.4	150.3
vii) Sugar, confectionary cocoa & chocolate	0.53	164.4	164.4	159.8	155.6	159.8
viii) Misc. products (a+b+c)	49.16	166.9	166.3	157.3	156.1	167.8
a) Edible oils	37.16	162.1	161.8	150.2	149.7	160.4
b) Oilcakes	9.05	178.4	176.2	175.7	171.8	189.8
c) Other misc. food products	2.95	191.6	191.6	190.7	188.7	193.2
B. Beverages, Tobacco & Tobacco Products	27.08	**192,5**	**192.5**	**192,8**	**178.0**	**176.9**
i) Wine industry	6.77	141.9	141.9	139.8	139.8	135.4
ii) Soft drinks	0.82	196.6	196.6	224.9	224.9	224.9
iii) Tobacco manufacturing	19.49	209.9	209.9	209.9	189.3	189.3
C. Textiles	110.26	**182.4**	**182.1**	**181.7**	**182.9**	**175.6**
i) Cotton textiles	81.02	184.1	183.8	183.2	183.9	178.3
ii) Woollen yarn & textiles	2.44	221.8	221.8	221.8	221.6	216.7
iii) Silk, art silk & synthetic fibres textiles	12.83	164.1	164.8	164.8	171.9	162.9
iv) Jute, hemp & mesta textiles	12.14	171.9	171.9	171.9	171.9	156.1
v) Textiles products n.e.c.	1.83	243.9	243.9	243.9	237.2	217.8

—*Contd.*

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups—*Contd.*

1	2	3	4	5	6	7
D. **Paper & Paper Products**	8.51	**206.5**	**206.5**	**205.5**	**202.9**	**190.7**
E. **Leather & Leather Products**	3.85	**309.5**	**309.5**	**298.3**	**286.7**	**236.7**
i) Tanned & cured finished leather	2.95	343.8	343.8	329.9	314.1	250.0
ii) Footwear & other leather products	0.90	196.5	196.5	196.5	196.5	192.7
F. **Rubber & Rubber Products**	12.07	**197.3**	**189.8**	**189.4**	**189.4**	**169.0**
i) Tyres & tubes	9.84	199.4	190.2	190.2	190.2	167.5
ii) Other rubber products	2.23	188.0	188.0	186.0	185.8	175.7
G. **Chemicals & Chemical Products**	55.48	180.8	**181.7**	**181.5**	179.1	**175.1**
i) Basic industrial chemicals	7.26	228.0	227.5	223.9	221.5	202.8
ii) Fertilizers	12.52	165.0	171.0	175.9	175.9	176.2
iii) Insecticides	1.16	242.0	242.0	242.0	242.0	231.1
iv) Paints & warnishes	1.92	210.2	209.6	207.3	204.8	202.4
v) Drugs & medicines	9.83	135.2	134.2	133.8	136.2	136.2
vi) Cosmetic, soap & detergents	5.86	199.6	197.1	197.2	186.4	182.8
vii) Inedible oils	1.54	152.4	151.2	145.4	144.1	142.7
viii) Synthetic resin/rosin & plastic materials	8.30	171.6	171.1	169.8	169.8	168.2
ix) Dyestuffs & other chemicals n.e.c.	7.09	207.5	208.6	205.8	195.3	190.5
H. **Non-Metallic Mineral Products**	14.15	**223.4**	**223.2**	**226.0**	**224.6**	**204.8**
i) Structural clay products	1.82	216.7	216.7	215.8	211.4	207.1
ii) Glass & glass products	1.98	256.5	256.5	270.1	264.0	237.0
iii) Earthernware & earthern pottery	0.96	277.6	277.6	292.6	292.9	252.8
iv) Cement, lime & plaster	7.07	212.2	212.2	212.2	212.2	187.6
v) Misc. non-metallic mineral products	2.32	212.3	210.8	211.0	210.5	208.3
I. **Basic Metals, Alloys & Metal Products**	59.74	**220.0**	**219.2**	**218.5**	**216.8**	**197.2**
Basic metals & alloys (i+ii)	46.51	221.9	221.7	210.9	218.9	197.8
i) Non-iron steel & ferro alloys	34.73	219.4	219.4	218.7	219.0	191.5
ii) Non-ferrous metals & their alloys	11.78	229.1	228.3	227.2	218.6	216.2
iii) Metal products	13.23	213.6	210.5	210.2	209.6	195.2
J. **Machinery & Transport Equipment**	67.18	**194.2**	**194.1**	**191.8**	**188.2**	**177.5**
Machinery & machine tools (i+ii)	50.45	192.2	192.1	189.8	186.5	177.4
i) Non-electrical machinery	30.91	199.8	199.6	196.2	192.2	184.5
ii) Electrical machinery	19.54	180.1	180.2	179.7	177.5	166.2
Transport equipment (iii+iv)	16.73	200.5	200.2	197.7	193.3	177.8
iii) Motor vehicles & parts	13.73	207.6	207.2	203.9	199.8	184.0
iv) Motor cycles/scooter, bicycles & parts	3.00	168.2	168.1	169.4	163.8	149·4
K. **Misc. Products**	7.20	**199.7**	**199.2**	**197.2**	**196.4**	**180.3**
i) Wood & wood products	1.74	201.8	199.8	198.5	191.5	190.9
ii) Other manufacturing industries n.e.c.	5.46	199.0	199.0	197.5	197.9	177.0

Consumer Price Index Numbers for Industrial Workers

(Base : 1960=100)

Centre	1970-71	1975-76	1976-77	1977-78	1978									1979		1978
					April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Feb.
All-India	186	313	301	324	322	323	327	330	331	336	340	340	335	332	329	320
Ahmedabad	176	293	281	310	314	320	324	320	321	326	328	325	323	322	321	311
Alwaye	198	358	321	319	317	322	332	333	336	335	341	343	341	341	340	318
Asansol	189	317	318	338	329	329	332	337	339	348	359	354	347	345	342	326
Bangalore	186	332	321	342	331	334	336	336	334	341	342	345	342	339	341	333
Bhavnagar	186	315	297	325	339	340	341	341	342	344	344	347	341	336	334	328
Bombay	182	300	298	318	320	323	325	325	325	327	326	327	326	324	323	314
Calcutta	182	287	297	320	311	311	319	329	333	343	343	350	338	331	325	304
Coimbatore	163	319	304	319	314	317	321	321	328	327	327	336	335	331	330	317
Delhi	199	333	332	358	360	361	364	369	369	376	374	368	369	368	366	355
Digboi	189	317	310	336	336	338	338	337	336	337	341	343	339	342	340	334
Gwalior	191	324	318	343	344	345	352	356	353	355	358	352	347	346	342	342
Howrah	186	290	292	313	304	306	308	313	316	323	341	334	328	321	317	308
Hyderabad	189	316	308	337	337	334	338	342	340	344	346	351	348	341	335	840
Jamshedpur	183	293	288	316	309	311	317	324	325	332	334	332	325	318	316	304
Madras	170	314	288	311	308	305	310	314	314	313	318	328	325	328	324	319
Madurai	183	333	302	331	323	326	331	330	330	339	344	355	357	350	336	326
Monghyr	205	325	317	345	341	308	339	344	352	365	365	364	348	338	340	331
Mundakayam	197	346	304	302	300	305	305	308	313	311	318	321	325	321	317	306
Nagpur	187	326	297	315	312	313	319	323	324	334	335	331	329	328	324	309
Saharanpur	186	313	304	335	340	337	340	347	346	349	356	353	347	344	342	339
Sholapur	185	342	308	326	330	336	339	337	338	346	353	355	353	347	343	328

SOURCE: Labour Bureau, Government of India, Chandigarh.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base: 1960=100)

Centre	1970-71	1975-76	1976-77	1977-78	1978									1979 Jan.	1978 Jan.
					April	May	June	July	August	Sept.	Oct.	Nov.	Dec.		
All-India	174	277	277	296	298	300	303	306	306	309	310	310	308	307	300
Bombay	168	246	255	269	276	279	283	286	285	286	287	287	287	287	272
Delhi-New Delhi	174	273	274	288	292	298	299	304	310	311	305	303	300	300	285
Calcutta	170	243	251	265	267	268	273	277	278	284	291	287	282	280	266
Madras	175	306	294	311	314	316	318	318	316	318	321	326	325	328	320
Hyderabad-Secunderabad	174	283	282	305	311	311	315	315	317	319	320	321	321	323	312
Bangalore	172	284	286	306	307	306	309	308	308	311	311	312	311	311	310
Lucknow	166	270	274	297	301	299	302	306	308	311	310	308	304	304	298
Ahmedabad	171	272	263	291	296	298	302	302	300	300	300	298	296	296	296
Jaipur	183	311	312	334	333	332	337	343	343	345	342	338	334	335	338
Patna	191	284	282	299	298	297	298	304	308	315	319	319	313	306	301
Srinagar	184	280	300	319	333	336	339	339	339	347	345	350	350	349	321
Trivandrum	178	297	301	309	310	310	312	316	318	321	320	323	320	324	315
Cuttack-Bhubaneswar	176	270	272	290	293	294	299	301	300	305	309	308	301	300	292
Bhopal	180	296	295	318	313	316	319	321	320	325	324	318	316	317	319
Chandigarh	178	278	284	299	308	306	308	309	308	311	313	310	306	305	303
Shillong	166	274	268	284	288	293	296	300	297	297	299	297	296	294	288

Source : Central Statistical Organisation, New Delhi.

Statement of Affairs of the Reserve Bank of India

(As on last Friday)

(Rs crores)

Item	1975-76	1976-77	1977-78	1978-79	1978				1979		
					Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
1. **Notes in Circulation (a—b)**	6,535	7,743	8,602	10,267	8,984	9,359	9,457	9,627	9,949	9,996	10,267
(a) Total Notes Issued	6,573	7,779	8,616	10,318	9,040	2,387	9,471	9,653	10,000	10,037	10,318
Less (b) Notes held in banking Dept.	38	36	13	51	56	28	14	26	51	40	21
2. **Deposits** (Total: a to e)	2,914	3,664	6,287	4,876	4,679	4,868	4,344	3,853	4,305	4,663	4,876
a. Central & State Governments	671	388	2,771	724	1,107	1,289	719	45	327	509	724
b. Scheduled Commercial Banks	607	1,146	1,674	2,634	1,993	2,029	2,113	2,254	2,396	2,628	2,634
c. Scheduled State Co-operative Banks	21	28	41	46	30	29	29	33	32	32	46
d. Other Banks	3	3	4	6	5	5	4	5	5	6	6
e. Others	1,612	2,099	1,797	1,466	1,544	1,516	1,479	1,516	1,545	1,488	1,466
3. **Other Liabilities**	2,137	2,213	2,927	3,222	2,855	2,736	2,910	2,940	2,998	3,092	3,222
4. **Total Liabilities/Assets**	11,585	13,620	17,816	18,365	16,517	16.962	16,711	16,420	17,251	17,753	18,365
5. **Foreign Exchange Assets**[1]	1,518	2,767	3,889	4,655	3,937	3,994	4,233	4,262	4,456	4,502	4,655
6. **Gold Coin and Bullion**	183	188	193	219	214	214	214	214	219	219	219
7. **Rupee Securities**[2]	6,519	6,654	7,086	7,546	6,747	7,093	7,313	7,076	7,304	7,588	7,546
8. **Loans and Advances total a to d**	2,052	2,430	2,107	2,352	1,863	1,918	1,921	2,065	2,364	2,361	2,352
a. Central & State Governments	304	327	402	170	167	152	126	119	169	127	170
b. Scheduled Commercial Banks	798	967	331	546	244	245	247	357	548	521	546
c. State Cooperative Banks	459	488	595	558	527	559	565	583	599	636	558
d. Others	491	648	779	1,078	925	962	983	1,006	1,048	1,077	1,078
9. **Bills Purchased and Discounted (total a+b)**	739	531	2,809	1,675	1,768	1,735	1,015	682	622	834	1,675
a. Commercial	176	184	117	106	57	52	55	88	89	108	106
b. Treasury	563	347	2,692	1,569	1,711	1,683	960	594	533	726	1,569
10. **Investment**[3]	30	62	637	672	735	756	776	785	592	668	672
11. **Other Assets**	544	989	1,096	1,246	1,253	1,251	1,239	1,336	1,694	1,579	1,246

1. Foreign securities plus Balances held abroad.
2. Government of India rupee securities including ad-hoc treasury bills.
3. Include investments in Foreign shares/Bonds but exclude investments in rupee securities.

Note: Individual figures may not, in all cases, add up exactly to total due to rounding up.

All Scheduled Commercial Banks—Business in India

(As on last Friday)

(Rs crores unless otherwise indicated)

Item	1970-71	1975-76	1976-77	1977-78	1978-79	1978				1979		
						Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
1. **Aggregate Deposits** (Total: a+b)	5,906	15,155	17,566	22,211	26,875	23,938	24,303	24,765	25,303	25,885	26,200	26,875
a. Demand Deposits	2,626	5,817	6,943	8,868	10,355	9,020	9,128	9,263	9,364	9,839	9,898	10,355
b. Time Deposits	3,280	8,338	10,623	13,343	16,520	14,918	15,175	15,502	15,939	16,046	16,302	16,520
2. **Borrowings from Reserve Bank†**	368	798	967	331	546	244	245	247	357	548	521	546
3. **Cash in Hand and Balances with Reserve Bank** (Total: a+b)	364	912	1,500	2,143	3,180	2,477	2,543	2,638	2,782	2,979	3,186	3,180
a. Cash in Hand	167	305	354	469	546	484	514	525	528	583	559	546
b. Balance with Reserve Bank	197	607	1,146	1,674	2,634	1,993	2,029	2,113	2,254	2,396	2,628	2,634
4. **Investments** (Total: a+b)		4,607	5,536	7,897	9,046	8,453	8,639	8,683	8,456	8,568	8,840	9,046
a. Government Securities*	1,362	3,283	3,930	5,907	6,571	6,230	6,410	6,399	6,136	6,251	6,473	6,571
b. Other Approved Securities		1,324	1,606	1,990	2,476	2,224	2,229	2,284	2,320	2,317	2,367	2,476
5. **Bank Credit** (Total: 5.1 to 5.3)	4,684	10,877	13,173	14,939	17,669	15,653	16,088	16,365	16,858	17,671	17,524	17,669
of which:												
a. For financing Food procurement operations	214	1,521	2,190	1,984	2,210	2,265	2,210	2,315	2,379	2,459	2,348	2,210
5.1 Loans, cash-credit & overdrafts	3,708	8,527	11,411	12,709	15,232	13,629	14,003	14,236	14,740	15,266	15,121	15,232
5.2 Inland bills, purchased and discounted**	765	1,852	1,155	1,575	1,627	1,358	1,424	1,452	1,446	1,676	1,638	1,627
5.3 Foreign bills, purchased and discounted	211	498	607	655	810	677	661	676	672	728	766	810
6. **Cash-Deposit Ratio** (in per cent) (3) as % of (1)	6.16	6.44	8.54	9.65	11.83	10.35	10.46	10.65	10.99	11.51	12.16	11.83
7. **Investment-Deposit Ratio** (in per cent) (4) as % of (1)	23.06@	23.19@ 32.55	31.52	35.55	33.66	35.31	35.55	35.06	33.42	33.10	33.74	33.66
8. **Credit-Deposit Ratio** (in per cent) (5) as % of (1)	79.31	76.84	74.99	67.26	65.75	65.39	66.20	66.08	66.62	68.27	66.89	65.75

† As available in the Reserve Bank records. * At book value; including treasury bills and treasury deposit receipts, etc.
** Excludes Bills re-discounted with Reserve Bank of India. @ Relates to investments and Government Securities only.
Note: Individual figures may not, in all cases, add up exactly to total due to rounding off.

Analysis of Money Stock Measures

(Rs in crores)

Sl No	Item	1970-71	1975-76	1976-77	1977-78	1978-79	1978				1979		
							Sept	Oct	Nov	Dec	Jan	Feb	March
1.	**Money Supply (M_1) (Total : a+b+c)**	7,321	13,143	15,609	18,381	21,710	19,083	19,550	19,759	20,082	20,882	20,968	21,710
	a. Currency with the public	4,367	6,704	7,873	8,627	10,194	9,007	9,351	9,439	9,605	9,869	9,932	10,194
	b. Other deposits with the Reserve Bank	44	54	100	70	196	142	149	144	199	253	215	196
	c. Bank money (Demand deposits with banks)	2,910	6,385	7,636	9,684	11,320	9,933	10,050	10,176	10,278	10,760	10,821	11,320
2.	**M_3 (=M_1+Time Deposits) (Total: 1+7a)**	10,958	22,286	27,285	32,908	39,637	35,354	36,093	36,615	37,359	38,269	38,611	39,637
	Sources of Change in M_1												
3.	Net Bank credit to Govt, sector **(Total: a+b)**	5,264	10,112	11,020	13,474	15,341	13,955	14,255	14,285	14,088	14,141	14,620	15,341
	a. Reserve Bank	3,807	6,697	6,926	7,387	8,565	7,522	7,641	7,680	7,745	7,683	7,939	8,565
	b. Other Banks	1,457	3,414	4,094	6,087	6,776	6,434	6,615	6,605	6,343	6,458	6,681	6,776
4.	Bank credit to commercial sector* **(Total: a+b)**	6,455	15,392	18,493	21,235	25,207	22,460	22,994	23,238	23,902	24,827	24,783	25,207
	a. Reserve Bank credit to commercial sector	125	721	887	954	1,249	1,044	1,080	1,105	1,161	1,202	1,251	1,249
	b. Other Banks	6,330	14,671	17,607	20,281	23,958	21,416	21,914	22,233	22,741	23,625	23,532	23,958
5.	Net foreign exchange assets of banking sector	559	1,094	2,550	4,540	5,515	4,863	4,937	5,196	5,233	5,242	5,364	5,515
6.	Govt's net currency liabilities to the public	384	555	568	590	589	600	599	600	599	596	589	589
7.	Non-monetary liabilities of banking sector **(Total: a+b+c)**	5,341	14,009	17,022	21,458	24,942	22,796	23,236	22,660	23,740	23,924	24,388	24,942
	a. Times deposits with banks	3,637	9,142	11,676	14,526	17,927	16,271	16,543	16,857	17,277	17,387	17,643	17,927
	b. Net non-monetary liabilities of RBI	714	2,577	2,833	3,452	3,319	3,082	2,927	3,080	2,997	2,675	2,866	3,319
	c. Residual	990	2,289	2,513	3,480	3,696	3,443	3,766	3,723	3,466	3,862	3,879	3,696
8.	**Money Supply** (3+4+5+6—7)	7,321	13,143	15,609	18,381	21,710	19,083	19,550	19,759	20,082	20,882	20,968	21,710

*Includes public sector enterprises.

Note: Individual figures, may not, in all cases, add up exactly total due to rounding off.

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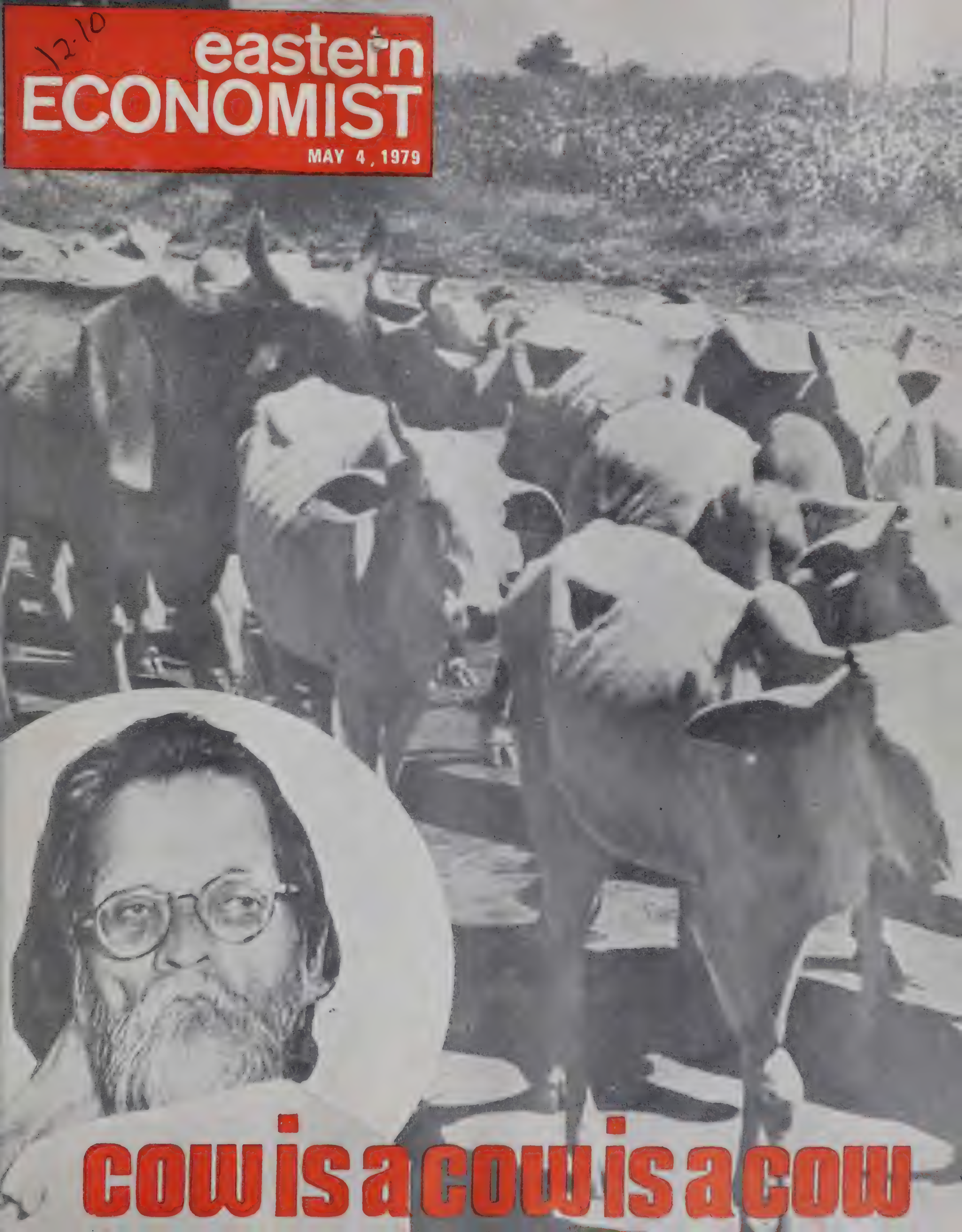

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Vajpayee in Washington

IT IS difficult to see what the minister for External Affairs had accomplished by his latest visit to Washington, apart from gathering from Mr Daniel P. Moynihan some more low-down on Mrs Gandhi's alleged financial and other flirtations with the CIA. Right now American foreign policy has priorities other than a dialogue with New Delhi. The Carter administration's most urgent need is to ensure that American power is not further eroded in the region of the Persian Gulf. At present the Strait of Hormuz is the most critical geographical spot in the landscape of US global strategy.

This is all the more so because of late Saudi Arabia's pro-US solidarity is suspected of being less than totally solid. India has been taking a certain stand with regard to the presence of any naval power in the Indian Ocean, which is not very convenient for the Pentagon. In these circumstances the scope for constructive Indo-American discussions on the strategic problems of an area of the greatest military and economic significance to the United States or indeed western Europe must be severely limited.

The US, again, has set store by the successful implementation of the Egypt-Israeli peace treaty. Although India is second to none in its desire for the establishment of peace in the Arab-Israeli world, its foreign policy is guided essentially by a majority of Arab opinion which is unequivocally opposed to the treaty which Cairo has unilaterally concluded with "the common enemy".

With regard to US-Soviet negotiations on SALT II, India's capacity to evince a friendly interest in them is enfeebled by its own debate with the United States on nuclear non-proliferation. Indeed it is this debate which Mr Atal Behari Vajpayee evidently sought to pursue further with the Carter administration at the present occasion. He has clearly not been successful in securing any relaxation on the US objection to India's refusal to accept full-scope safeguards against the misuse of reactor fuel for the manufacture of nuclear weapons. He could only reiterate India's position that it would not accept international surveillance of its nuclear establishments on the lines desired by the United States unless the nuclear powers also agreed to be bound by this discipline.

In addition he assured the United States that the safeguard arrangements for the use of heavywater supplied by the Soviet Union was not different from the existing safeguard arrangements for the fuel supplied by the US. This has meant that India is now up against a blind wall so far as its negotiations for future supplies of enriched uranium for the Tarapur plant or the storing or reprocessing of spent fuel rods is concerned. Asked specifically by journalists in the capital whether American supplies of uranium would continue beyond 1980, all that Mr Vajpayee could say was that "nothing is final in life and discussions with the USA will continue".

Actually, for all practical purposes, there is a stalemate in the Indo-American nuclear dialogue. This is quite serious, more serious than our government seems prepared to concede, in the context of the sufficient evidence that has been forthcoming regarding the clear political decision which Pakistan has taken to make an "Islamic atom bomb" and the progress made by its government in procuring necessary equipment from France and the UK and West European sources, financed largely by Libya and the technical and engineering advances already made by the nuclear scientists engaged on this project.

The United States, in terms of the firm stand taken by it on nuclear non-proliferation, is no doubt totally keen on short-circuiting the Pakistani effort, but the irony is that India, which has a direct interest in Pakistan being dissuaded or prevented from proceeding with its nuclear bomb project, is not in a position to lend credible support to the Carter administration in this matter because of its own differences with the American stand on the application of full-scope safeguards.

The present government in New Delhi has categorically said that it will not work on the manufacture of nuclear weapons. But governments come and go and even within the ruling Janata party there is some questioning of the prime minister's categorical vetoing of the use of nuclear power for anything other than peaceful purposes. Indeed opinion is gaining ground in some circles that India's nuclear capability should not be artificially frozen, but continuously upgraded in view of the fact that tremendous R & D work is going on in countries such as France, USSR and the USA on fast-breeder reactors, one of the purposes of which is to cut down drastically the time taken for reprocessing used fuel into plutonium.

faster breeding

The idea here is that each reactor should be able to yield sufficient fuel for a second reactor within a time-span of from 10 to 12 years instead of 20 or more years as of now. It is probably true that, outside the nuclear powers, India's resources of know-how and engineering are as far advanced as any other country's. There is no reason why India should practise any kind of a self-denial with regard to the nuclear R & D prospects open to it.

Lest Mr Vajpayee runs into difficulties in the form of audit objections, it had better go on record that he was visiting the United States as the leader of the Indian delegation to the Indo-US Joint Commission. The commission seems to have had some cosy sessions and one result was that a fourth subcommission—the agricultural subcommission—would be established in the year ahead. The existing three commissions are economic and commercial, education and culture and science and technology. The janata kisan has thus come into his own in Washington.

Goan goings-on

The political ferment has reached the geographical fringes. The Shashikala Kakodkar ministry was defeated on a budgetary demand in the Goa assembly on April 23. This marks the fulfilment of tortuous exercises by Janata politicians to bring down the ruling Maharashtrawadi Gomantak Party (MGP). As is almost always the case on such occasions, the blow was struck by an estranged partyman, Mr Shankar Laad, who had been expelled from the ruling party, following his resignation as Law minister a few days earlier. Although the unseated ministry had been in office for only 22 months, the MGP itself has been ruling for 16 years, i.e., ever since Goa, Daman and Diu were constituted into a union territory. The assembly proceedings were marked by violent scenes and attempts were even made to intimidate the speaker and subject him to physical harassment. Although Mrs Kakodkar said that she did not approve of the behaviour of her partymen, the painful fact was that parliamentary democracy received another slap in the face.

Although Mr Laad claimed that he had sufficient support for forming the ministry, the governor could not take him seriously, seeing that faction-ridden Goan politics had become truly chaotic. Even though the MGP had suffered continuous erosion of its political base, partly because it had been in power so long and its leader was seen to be indifferent to dissatisfactions with her functioning brewing among her own partymen, the defectors were clearly not of a calibre to enable the main opposition, the United Goans Party, to achieve viability overnight as an alternative to the MGP. Mrs Kakodkar apparently thought that she could exploit this situation to her own advantage by delaying the resignation of
her ministry but she predictably receiv
little encouragement in New Delhi.

The Janata party is obviously interest
in having a finger in the Goan pie a
the defeat in the assembly of the e
trenched MGP was too good an oppo
tunity to be missed. However, it cou
be allowed that the central governme
did take an essentially objective vi
when it decided to bring Goa under pre
dent's rule with effect from April
when the presidential order giving eff
to this decision and also dissolving t
assembly was issued. This decision h
been welcomed by the MGP, since this
the best that Mrs Kakodkar could ha
realistically expected under the circu
stances. The Janata leaders in Go
however, have angrily expressed th
frustration and in fact one of them,
Ersmo de Sequeira has launched what
describes as a civil disobedience mov
ment in Goa to protest against the "au
cratic rule" of the prime minister,
Morarji Desai, who had denied, accor
ing to Mr Sequeira, "people's rule"
the union territory.

democratic process

There cannot, however, be much sy
pathy for the Janatamen's itch to sne
through the backdoor to power in
union territory. Whether the Kakodk
family should enjoy extended monop
of office, this is surely for the people
decide through due democratic proce
The imposition of president's rule is o
for the purpose of holding the fort u
the election could be held as early
possible in a peaceful atmosphere.
Wilfred D'Souza, president of the G
Pradesh Congress Committee has a
been vehement in protesting against
imposition of president's rule but
seems to be turning more towards or
nizing his party for the election ahe
than in the direction of messing up
political situation in the union territ
by actively participating in the so-cal
civil disobedience movement. In fact
Congress party in the union territory d
not seem to be very keen on becomin
partner to the Janata even in a comm
campaign against the MGP. Dr D'Sou
has indicated that his party will fight
election on its own steam. This of cou

loes not mean that marriages of conveni nce will not take place should they seem rofitable either on the eve of the elec ion, or after the votes had been counted.

Borrow boldly

THE FAILURE to mobilise larger resources through open market loans has exaggerated the overall deficit in the revised estimates for 1978-79. It is still not clear why the Finance ministry refrained from effecting reissues of loans for Rs 150/200 crores in February/March when there was a scarcity of government securities. Not even the usual funding of a portion of ad-hoc securities into terminable loans was carried out and net borrowing through open market loans in 1978-79 at Rs 1653.44 crores was barely above the budget estimates of Rs 1,649.82 crores. It may be argued of course that the overall deficit (which was Rs 1,590 crores, excluding Rs 555 crores involved in the cancellation of state overdrafts) would still have been sizable and there would be need for levying additional taxation to prevent a large uncovered deficit in 1979-80.

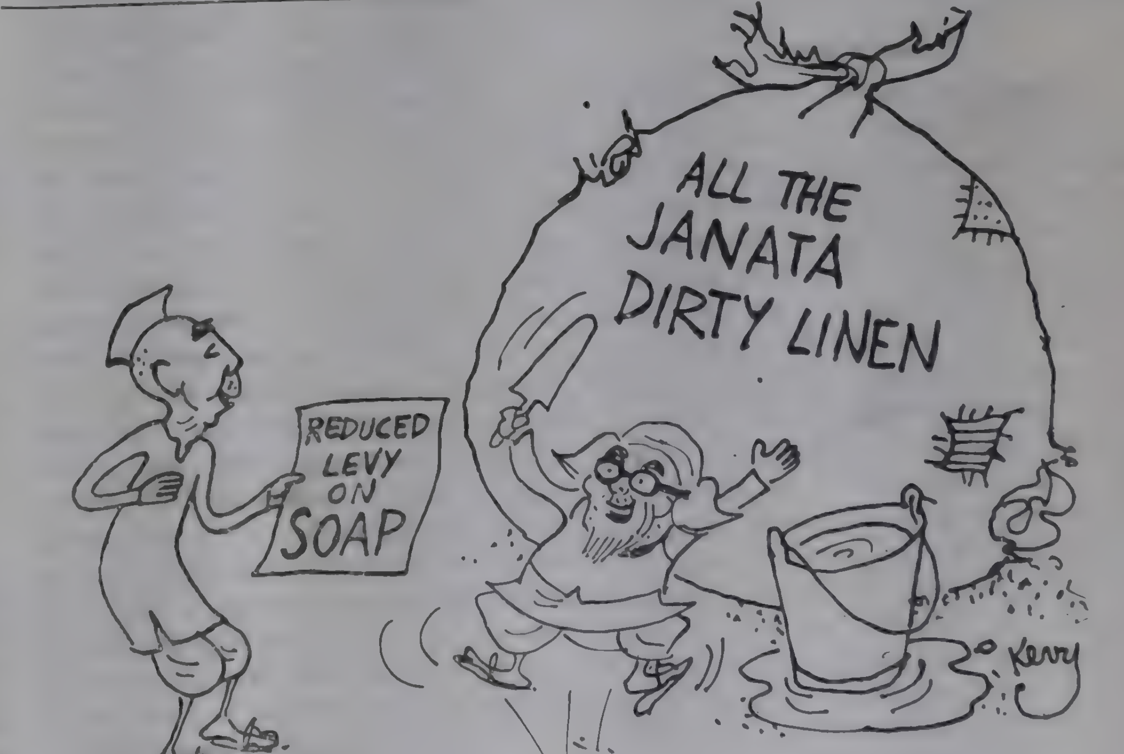
Again, later details relating to tax receipts through excise duties and direct taxes suggest that there is likely to be an increase in aggregate receipts by over Rs 800 crores and non-tax revenues too may prove to be higher than the revised estimates. It is, therefore, to be recognised that the actual deficit would have been of much smaller dimension if there had been no shortfall in budgetary receipts on account of underestimation of revenues and if there had also been larger net borrowing. The under-utilisation of foreign aid is also reflected in the deficit in the revised estimates.

The alarming gap in the revised estimates for 1978-79 compelled the deputy prime minister and Finance minister, Mr Charan Singh to levy fresh taxation on an unprecedented scale and reduce the deficit to Rs 1,355 crores from Rs 1,975 crores. Even on the basis of the existing taxation and larger receipts through net foreign aid and open market borrowing the gap would have been only about Rs 1000/1200 crores if there had been proper budgeting, and it would not have been necessary for Mr Charan Singh to resort to unpopular levies and trigger also inflationary forces in the process. The failure to adopt a realistic approach, when formulating budget estimate may have undesirable consequences as gross under-estimation of tax revenues may be more harmful than beneficial at a time when tax rates are prohibitive in many directions.

The comfortable ways and means position of the government, even with larger payments against outstanding bills, will be evident from the fact that central government deposits with the Reserve Bank stood at Rs 1,413.28 crores on April 20 after being as low as Rs 178.34 crores on April 6. The significance of the adjustments carried out by the Reserve Bank in recent weeks is not clear, as major changes have taken place under several heads and investments of the scheduled commercial banks also spurted during the week ended April 6 to Rs 7,267.42 crores from Rs 6,570.66 crores. In the subsequent week there was a drop under this head to Rs 6,871.16 crores and yet central government deposits were higher than before. With payments in respect of 1978-79 having been largely completed and no net big increase in the outstanding floating debts, the availability of large cash balances with the Reserve Bank only shows that the budgetary position is not so uncomfortable as has been made out.

The modest effort to mobilise resources through open market loans in the past financial year has been helpful to the Finance ministry in augmenting its funds through new loans in 1979-80. It became necessary for the government to effect reissues of 6¾ per cent, 2007 loan on April 1, for Rs 50 crores in order to relieve the scarcity of terminable loans for meeting the needs of institutional investors. Within four weeks it has become necessary to make a further reissue of the same loan for Rs 150 crores. The entire amount has been taken up by the Reserve Bank for sale at prices to be notified from time to time. These reissues are being effected under compulsion and not choice, as banks are asked to comply with the directives of the Reserve Bank in regard to cash reserve and liquidity ratios. The growth in deposits of the member-banks in 1979-80 may easily be Rs 5000 crores and the amount that will have to be invested in gilt-edged securities will not be less than Rs 1,500 crores.

Taking into account the growth in assets of the Life Insurance Corporation



Small mercies

and provident funds, aggregate borrowings can be easily Rs 2,700 crores with the centre's share being Rs 2,000 crores. The Finance ministry however has assumed net borrowing at Rs 1,833.62 crores. For raising Rs 1,800 crores, after allowing for the reissues of Rs 200 crores, there will have to be staggered issue of the new loan. In 1978-79 the strategy was not properly conceived as a net amount of Rs 1,192.11 crores had been raised between April 1 and July 1, 1978 and only Rs 641.51 crores in the remaining nine months.

This created difficulties for banks in earlier months and with keener demands for funds after August that there was disposition to take advantage of the over-invested position and ignore the directives of the Reserve Bank regarding the maintenance of higher statutory liquidity ratio in respect of new deposits even if SLR was already higher than the stipulated minimum. Therefore, there will have to be a proper phasing out of the borrowing programme of the central government apart from relaxation of the curbs relating to the impounding of portions of new deposits. The Reserve Bank can maintain cash reserve ratio at six per cent if it feels that way and also the SLR of 35 per cent, but no useful purpose will be served by the continuing impounding of portions of deposits.

new loans

As loans for public subscription will have to be offered only in July for enabling the holders of three maturing loans to convert them into the former, it may not be surprising if an attempt is made to issue loans for public subscription for about Rs 200 crores before the end of May. The lists for new loans in July may be for a net amount of Rs 400 crores, taking the total of net borrowings in four months to Rs 800 crores. Thereafter, there will have to be reissues of earlier loans for Rs 250 crores every two months so that aggregate borrowing can be easily Rs 2,000 crores even after repaying or funding maturing loans. A rigorous borrowing could certainly help to reduce the budgetary gap estimated for 1979-80. This apart, the exemption from taxation of capital gains arising out of the disposal of long term assets will secure to the exchequer about Rs 250 crores. Unlike under the earlier arrangements the net sale proceeds will have to be invested in 7½ per cent seven year rural bonds. If it is the intention to continue the exemption for several years the Finance minister may consider shortening the duration of these bonds to five years, even if he cannot agree to an increase in the interest rate. In that event it will be possible to realise additionally over Rs 1250 crores in five years through development bonds towards the Plan outlay.

Whither prices ?

THE INCREASE in the wholesale prices index since the presentation of the central budget by nearly five per cent cannot be attributed entirely to the budgetary measures. Several other factors such as seasonal influences and shortfalls in the production of many industrial products, caused by the difficult energy supply position, industrial unrest, transport bottlenecks, escalation in material costs, etc. have contributed in no small measure to this inflationary thrust. Yet the concern voiced by the deputy prime minister (F), Mr Charan Singh, in his speech to the annual general meeting of the Associated Chambers of Commerce and Industry early this week—read in absentia by Dr Man Mohan Singh, secretary, Economic Affairs, ministry of Finance, due to the indisposition of the minister—was not misplaced. If unchecked, it can create many complications in the economy. The minister's diagnosis of the situation that the price stability has been upset by some speculative forces at work, though inflation has resulted to some extent from the budgetary measures and some other genuine factors, cannot be fully shared. Mr Charan Singh has even gone to the extent of observing; "It appears to me that a number of industries, taking advantage of bullish market conditions, have pushed up their prices to an extent unjustified by any increase in their costs".

Deriding the industrial community for the above unwholesome development in the economy cannot be justified for the simple reason that even if it were partly true, it amounts to searching for scapegoats instead of remedying the situation by appropriate action. It is premature to assume that the present uptrend in prices is exhausting itself. In fact misgivings are being expressed in various circles that it may get accentuated if corrective steps are not taken to smoothen the flow of inputs, including power, and contain the unhealthy trends developing in the field of industrial relations.

Mr Charan Singh, has appropriately stressed that nothing must be allowed to come in the way of increased production in our farms as well as our factories. But this apparently is a pious intention. Some of the steps taken by the government itself, such as the imposition of development surcharge on all categories of steel, the threatened further sizeable increase in the prices of petroleum products, the proposed step-up in coal prices, the undue delays that take place in the redressal of the legitimate demands of the working class, etc, are factors the real implications of which are not being properly appreciated. The cascading effect of this year's budget proposals, as also of the railway budget, too is not being taken into consideration in the assessment of the causes for the spurt in prices.

money supply

Referring to the increase in money supply with the public, which was as large as 19.8 per cent during the 12 months ending March 16, 1979, as against 14.4 per cent during the period ending March 17, 1978, Mr F.A.A. Jasdanwalla in his presidential address to the Associated Chambers of Commerce and Industry has pointed out that the increase in money supply is normally accounted for by credit to the government sector, credit to the commercial sector and the net increase in foreign exchange assets. Credit to the commercial sector, undoubtedly, is substantial, but it is also a reflection of increased production not only in industry but also in agriculture. The credit to the government sector and the expansion in the money supply due to the net increase in foreign exchange assets, however, are negative factors in the sense that they do not add to goods and services.

It has, therefore, been emphasised by

Mr Jasdanwalla that what industry needs today is more funds than before even to maintain its existing level of production. The reasons for this are: (i) increased cost of inputs following fairly steep increases effected in the prices of basic raw materials; (ii) additional sums required to pay for extra duties; and (iii) enhanced requirements of funds to finance large inventories, particularly of imported materials, caused by delays in shipments resulting from very difficult conditions at ports. The credit needs of industry, thus, need to be properly assessed in framing the overall credit policy. The expansion in money supply ought to be contained primarily through tightening of governmental expenditure and judiciously liberalised imports to offset the inflationary potential of remittances from abroad.

appropriate suggestion

Another very appropriate suggestion has been made by Mr Jasdanwalla in regard to the modification effected by Mr Charan Singh in the taxation of capital gains. The scheme proposed by the Finance minister, according to his own admission, calls for a sacrifice on the part of those who derive capital gains from the sales of their assets. These gains are to be exempted from taxation if the sale proceeds minus the cost of transfer of assets are invested in the 7-year rural development bonds bearing 7.5 per cent interest per annum. The bonds are to be issued soon. Mr Jasdanwalla has pleaded that (i) a fixed amount invested in rural bonds should be exempted from wealth tax, and (ii) the bonds should be allowed to be used as a base for overdraft facilities.

The other important pleas made by Mr Jasdanwalla include:

(i) Fiscal measures are necessary to create a climate conducive to investments;

(ii) The withdrawal of rebates to new industrial undertakings should be made operative prospectively so as not to adversely affect the projects in the pipeline;

(iii) Since the total deficit financing envisaged for the current Plan period has already been taken resort to and the proposed additional resource mobilisation through taxation has also been done to the extent of 85 per cent, it would be prudent to consider that the balance of planned resources could be generated entirely through adequate surpluses flowing from the public sector investments and current account surpluses;

(iv) Licensing procedures should be rationalised and simplified further in the light of the recommendations of the H.P. Nanda committee;

(v) A high-powered energy commission should be set up to draw up a long-term energy development programme;

(vi) The proposed industrial relations legislation should be expedited;

(vii) Nationalisation threats to the professionally managed concerns should not be held out on the ground that professional managers do not own a substantial part of the company; and

(viii) The new guidelines for managerial remuneration, which do not take into account the realities of the situation, should be re-appraised.

Delhi and Darjeeling

In his address to the annual general meeting of the Indian Tea Association, held in Calcutta on April 15, Mr M. Ahmed, the chairman, referred to India as "the number one tea power in the world" and he wondered to what extent the industry could maintain its present position, move to greater heights, and serve the society better. He said that Indian tea had to face increasing competition from China, East Africa and other countries and he therefore stressed the imperative need to strengthen the industry's financial position. He estimated that in order to reach the production level of 1400 million kg by the year 2000, an investment of about Rs 1680 crores would

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be needed, that is, on an average Rs 80 crores per annum.

Mr Ahmed said that unless the industry was allowed to retain a reasonable percentage of its profits, it would not be possible to borrow money for its development. He observed that the industry "will always be afraid of its future capacity to service and repay the loans" and that "this matter is of vital importance to its future development and growth". He expressed surprise and regret at the fact that the state governments of Assam and West Bengal, which had already raised the rates of agricultural income tax to unprecedented levels, had ignored the industry's request to reduce them. On the other hand, Assam has further raised this tax.

Mr Ahmed said, "It seems that a process of leap-froging is on, with one state trying to outdo the other. We did everything possible to persuade the state governments concerned to keep the rate of agricultural income tax within a reasonable level and not make it expropriatory. We had also pleaded that there was no justification for the rate of agricultural income tax being higher than the rate of corporate income tax. Our pleadings have so far gone unheeded. With the present expropriatory rates of agricultural income tax, it will be obvious to all that we are not left with adequate resources for plough-back and development."

starved of resources

The chairman of the Indian Tea Association told Mr Mohan Dharia, the Commerce minister, who inaugurated the annual meeting, that the central government should persuade the states concerned to formulate a uniform policy of taxation of agricultural income so as to ensure that the plantations were not starved of resources. But how far can New Delhi succeed in using pressure and persuasion on the state governments in this matter? Unless the state governments become acutely aware of the benefits that they get from a prosperous tea industry, they are unlikely to reduce the tax burden and forgo revenue. Mr Ahmed highlighted its positive role in developing the rural and backward areas and in employing the largest number of persons belonging to the scheduled castes and scheduled tribes. He revealed that the industry had recently given fresh employment to 25,000 workers in Assam and last year to 9000 workers in West Bengal. He said that the industry could create substantial opportunities for employment if it was allowed to implement its development programme smoothly. Moreover, the industry could make faster progress in house construction if sufficient cement was available. It is hoped that the state governments will reconsider their approach to the industry and review their tax policy so as to enable and encourage it to increase production and exports, and generate more jobs.

"courageous action"

Meanwhile, the central government should also play its part in improving the industry's viability. Mr Ahmed praised Mr Dharia for his "courageous action" in removing the export duty on tea. The Commerce minister, however, displayed courage only after importing countries like Japan had publicly expressed their resentment at the continuation of the export duty. "Last year", Mr Ahmed said, "many overseas buyers got the impression that perhaps India in the long term was no longer interested in exports and that the domestic market would take precedence". He suggested that it was necessary to remove this impression. But is it not strange that the Commerce ministry should have created such an impression in the world markets at a time when there was an imperative need to improve India's image as a regular and reliable supplier of tea?

The latest central budget, Mr Ahmed regretted, had not granted any relief to the Darjeeling gardens. But Mr Dharia did not hold out any assurance in this matter. He reiterated the government's view that the sick gardens would not be handed over to their original owners after their revival. The minister's speech did not show any awareness on the part of the government of India of the seriousness and urgency of the problems faced by the Darjeeling gardens. "It is my view", said Mr Ahmed, "that time is fast running out and unless some relief is granted quickly, the area may go off the tea map of the world". He added that, "should this happen, it will be a great loss for the world of tea but the loss will be the greatest for our country". But how soon will Delhi come to rescue Darjeeling?

Streamlining TFAI

SOME DISCOMFORTING reports are being heard about the working of the Trade Fair Authority of India (TFAI), a public sector undertaking created in December, 1976, by merging the three organisations—The Directorate of Exhibitions and Commercial Publicity, government of India; the Indian Council of Trade Fairs and Exhibitions, Bombay; and the Fair Organisation, New Delhi—then engaged in organising exhibitions and trade fairs within the country and abroad. This unified agency, it was felt, would rationalise and streamline the holding of exhibitions in India and accelerate participation in the trade fairs abroad with a view to improving the country's image as an exporter of both goods and services. Multiplicity would be avoided. Although this objective has been achieved to some extent, yet the current functioning, it is feared in many circles, may turn this enterprise into another sick unit.

Even though over two years have elapsed, the proper placement of the employees of the erstwhile three organisations and their inter-se seniority is yet to be finalised. To cap it, it is understood that bureaucratic hold on the enterprise is to be strengthened. The import of deputationists from administrative services is making it a top heavy organisation. The expansion that is said to be taking place is primarily in the administrative sections. The technical cadres are being neglected. The staff strength is being augmented without due regard to the work available, which, after a setback last year, may go up this year to just the 1977-78 level when seventeen exhibitions/trade fairs were organised or participated in.

The undue proliferation of staff and the top heavy management can be expected to have a very adverse effect on the financial viability of the undertaking.

This viability has to be established by the end of this year, as the grants available from the government would then terminate. The TFAI will have to become self-financing after that. Could it be hoped that the functioning of the TFAI will be rationalised expenditiously without prejudice to the career opportunities of the permanent staff, so that they should fully involve themselves in the task of helping exports? The technical cadres need to be augmented judiciously and not relegated to a secondary place.

On your life

DETAILED COMMENTS on the 1978-79 performance of the Life Insurance Corporation must wait till the availability of the full picture of its working during the year. From the data released recently, two heartening developments, of course, are discernible. First, the declining trend in the insurance of individuals—of the order of about five per cent per annum during 1976-77 and 1977-78—has been reversed. Second, efforts are being made for tapping rural areas for new business.

The improvement in individual life business apparently would have been more impressive had there not been disturbed relations between management and the field staff during the latter half of the year. The first half is said to have recorded a growth of nearly 23 per cent in this business. The year, however, could end with only an increase of 2.6 per cent over the previous twelve months figure. The total individual life business completed in 1978-79 amounted to Rs 2,055 crores—Rs 50 crores more than in 1977-78.

The corporation, according to its chairman, Mr J. Matthan, hopes to do substantially better in this field this year. This expectation, based presumably on the experience of the second half of February and March, however, can materialise only if an amicable settlement is reached with the field staff.

There is not only an imperative need for carrying the message of insurance to the countryside, but also this is the one area, apart from group insurance, which holds good prospects for netting sizeable new business, despite the wide fluctuations in rural business and the preference of the rural folk for investment in physical rather than in financial assets. The corporation has launched a new scheme under which educated persons (matriculates and above) in specified rural areas, aged 21 and 35 years, are to be selected for undertaking life insurance agency work on a career basis. They will be paid a modest stipend during the first two years and trained for tendering advice and service almost at the doorstep of the policy holders.

The group insurance scheme made further progress during 1978-79 when the business under it touched Rs 5,084 crores, as against Rs 3,784.95 crores in the previous year, Rs 3,269.04 crores in 1975-76 and a modest sum of Rs 662.14 crores in 1973-74 when it was launched. About 13.22 lakh lives came to be insured under this programme last year, as against 9.79 lakh in the previous year.

premium income

The total estimated premium income last year has been of the order of Rs 713 crores—an increase of about Rs 48 crores (7.2 per cent) over the Rs 664.29 crores income in the previous year.

In line with the government's directive of channelling investments increasingly into the areas which benefit the people at large and other statutory obligations, the corporation invested out of an aggregate of Rs 738.62 crores last year, Rs 190.32 crores in central government securities and Rs 189.88 crores in the securities of state governments; bonds of state electricity boards, state financial corporations and all-India financial corporations; debentures of state cooperative land development banks, etc. Another Rs 209.98 crores were made available to the state electricity boards and for housing and water supply schemes in the form of loans. The investment in the private sector was of the order of only Rs 41.92 crores—Rs 11.2 crores in debentures, Rs 2.99 crores in preference shares, Rs 6.72 crores in equity shares and Rs 21 crores in the form of term loans. This fell considerably short of the limit of 10 per cent of the funds available for such investments.

Commercial banks, however, were given Rs 109.44 crores in participation certificates. Resort was also taken to the call money market for a profitable deployment of funds when disbursal of the committed investments were delayed. The poor performance in respect of investments in the private sector, the LIC chairman has stressed, was due to inadequacy of opportunities.

private sector investment

A significant departure is indicated in Mr Matthan's observations regarding investments in the private sector. Releasing the above data, he said in Bombay that the LIC would invest in new issues which held out possibilities of a dividend in four years. In cases where there was no prospect of an early dividend, it would prefer to assist the new units with loans. The idea behind this policy was to protect the interests of the policy-holders.

It remains to be seen whether the LIC will be able to raise the bonus on with-profit policies or scale down the premium rates of these policies as well as those of without-profit policies in view the increase in the average life expectancy.

A committee of independent senior actuaries has been appointed recently to look into the premium rates structure and to make the necessary recommendations. To benefit the policyholders the LIC, of course, has not only to go in for a judicious investment policy but also increase individual life business markedly. The growth of individual life business was quite encouraging till the setback it received three years ago. Last year's new business of this type, though marginally higher than in the previous year, was significantly lower than what was written in 1975-76. It is this business that primarily meets expenses which have been showing an upward trend.

East bloc plays safe

The Economic Survey of Europe in 1978 by the Economic Commission for Europe, analysing developments in the countries of eastern Europe and the Soviet Union, compliments them on steering a course largely in line with the global policy objectives set out in their respective annual plans. Their success was all the more creditable because the impact of external and internal forces, impeding economic growth, was much stronger than envisaged, while the adaptability of domestic structures to changed conditions of economic development had been overestimated to some extent. Economic activity in the region on the whole grew at a rate of 4.1 per cent, which was 0.7 per cent below that recorded in 1977. The overall economic expansion also fell short of the planned target for net material product (NMP) in all countries of the region except the Soviet Union.

If the eastern bloc countries are taken together, economic activity in 1978 increased at an aggregate rate of 4.3 per cent as compared with 5.8 per cent in 1977. Their annual plans called for an accelerated rate of economic growth in 1978, but this was achieved only by the German Democratic Republic and Hungary. In the case of the Soviet Union the annual plan had envisaged a slow down in overall economic expansion. The target for 1978 was therefore set at a four per cent increase in distributed NMP which was 0.5 per cent below the target provided for in the five-year plan and below the annual targets for the two preceding years.

There was a notable shift in planning strategies in these countries during 1978, with the policies becoming increasingly oriented towards long-term issues. In some cases this had involved radical shifts in development priorities with reference to the need for restructuring the economy as a whole and industry in particular. Improvement in the quality of production and efficiency in the use of available resources have been given priority over the simple maximisation of overall output. Thanks to changing conditions, domestic and international, the emphasis was on the consolidation of existing achievements by reducing imbalances in the build up of the material, technical and institutional base for steady and balanced growth in the long run. Adverse developments in the foreign trade of the region in 1978 contributed towards a revision of the frame of reference for these countries' global economic goals, particularly in the areas of investment and foreign trade policies and the management of human, natural and material resources.

It is recognised in these countries that the experiences of 1978 do not warrant a more optimistic approach in economic growth in 1979. It has been accepted that room for policy manoeuvres has been considerably narrowed and that the targets for growth cannot deviate much from the rates attained in the previous period. More reliance is being placed on intensive technology development and improved systems of management and planning than on significant shift in allocation patterns.

Consequently the annual plans for 1979 continue in the main the development policies applied in 1978. The degree of similarity of policies among the countries of the region is greater than in the previous years. While the Soviet Union, the German Democratic Republic and Czechoslovakia aim at a slight acceleration of 0.3 per cent on a four per cent growth rate of NMP in 1978, Hungary, Poland, Rumania and Bulgaria have set their targets for overall growth of NMP at around four per cent. This would mean the same rate of growth in the case of Poland, slight deceleration where Hungary is concerned and for Bulgaria and Rumania an increase of one per cent, which, if achieved, would reverse the downward trend that occurred between 1976 and 1978.

Industry is scheduled to contribute most to overall expansion, particularly in the Soviet Union where the target fo industrial growth is set at 5.7 per cent nearly one per cent higher than in 1978 Parallel increases in the growth rates o industrial output and NMP are envisage in Bulgaria, Rumania and the GDR. I Czechoslovakia and Hungary the growt rates for industry have been decelerating since 1977 and in Poland since 1975. The aggregate rate for eastern Europe in 1979 is six per cent, the same as for 1978.

All these countries plan a new all-time-high for the growth of agricultural production in 1979. Bulgaria has the most ambitious target at seven per cent, but the GDR aims at only 1.3 per cent. In all the other countries the target is above three per cent. The steady expansion of livestock production throughout the region has helped to stabilize the overall agricultural production, but the reliance on imported feedstuff has been heavy in recent years. The building up of the fodder base is therefore receiving greater attention, particularly in the Soviet Union.

investment policies

The main features of investment policies are concentration on key projects, emphasis on the completion of projects, high priority for investment in the modernization and re-equipment of existing capacities and restrictions on the setting up of new projects. The need to redress trade imbalances must result in the planned growth of distributed resources for domestic use being less than that of the national output. There are also policy commitments to maintain or increase the share of consumption within distributed national income. For instance, in Poland, the share of consumption, which was 65.2 per cent in 1976 and has been growing since, is projected to 71 per cent in 1979. Consequently, only Bulgaria and the GDR are planning for investment levels somewhat higher than in 1978; in the case of Bulgaria this is intended to make up for a fall in the rate of investment in 1978. The Soviet Union is halving its rate of investment growth to 2.6 per cent, while Poland has provided for a decline of 8.8 per cent from the 1978 level.

Against the background of the region's experiences in foreign trade during 1978, when the trade deficit with industrialized market economies of the west had substantially increased due to sharp acceleration in imports, the annual plans for 1979 tend to take a cautious view of trade developments during the year. Except in the case of Rumania, there are no plans for the accelerarion of global trade. Bulgaria, Czechoslovakia and the GDR in fact envisage a slowdown, while the Soviet Union and Poland are only hopeful of growth rates close to those of 1978.

Cultivating ASEAN

THE PLEA of the ASSOCHAM delegation, which visited the five ASEAN countries —Indonesia, Malaysia, Thailand, Singapore and the Philippines—and also Hong Kong from November 25 to December 22 last year, that India should foster closer economic relations with these nations deserves notice. The ASEAN is emerging as an important economic entity and is playing a significant role in the Asian economy. Closer cooperation with it could be of substantial mutual benefit. This delegation led by Mr F.A.A. Jasdanwalla, ASSOCHAM president, had detailed discussions with the governments of the countries visited as well as with the representatives of trade and industry there.

As the principal findings and the recommendations of the delegation—they are reproduced in the Records and Statistics section of this issue—suggest, there is not only good scope for expanding our trade relations with the ASEAN countries but also for setting up joint ventures. Already quite a substantial number of the over 250 joint ventures sponsored by Indian entrepreneurs abroad, are in the ASEAN and Hong Kong —16 in Indonesia, 36 in Malaysia, five in the Philippines, eight in Singapore, 11 in Thailand and three in Hong Kong. Extending over such diverse fields as spinning and textiles, engineering products, oilseeds crushing and solvent extraction, paper, dye-stuffs, glass, automobile ancillaries, cosmetics and pharmaceuticals, vanaspati, soap, sugar, chemicals, etc., a number of them have gone into production and quite successfully. Several others are under implementation. A couple of ventures, of course, have been abandoned.

Reviewing their progress, Mr Jasdanwalla pointed out, while releasing the delegation's report to the press, recently that whereas most of the ventures sponsored by the bigger entrepreneurs are doing well, some of the smaller ones started by the less-experienced and medium-sized manufacturers have run into difficulties; they have not been able to withstand the vicissitudes of business abroad. Whereas the delegation's recommendation that some of the difficulties of the Indian ventures in the ASEAN could be overcome if Indian banking facilities were available in all these countries—Indonesia and the Philippines do not have any branch of an Indian bank—is quite wholesome, its assessment has an important implication for the clearance of joint ventures abroad. It is that Indian entrepreneurs with sufficient business experience and know-how only should get interested in such ventures and the preliminary work connected with them should be thoroughly gone into.

safeguarding the image

The liberalisation of the rules governing joint ventures abroad to the effect of allowing some capital participation by the Indian entrepreneurs over and above the amount involved in the exports of equipment and machinery—the latter was the criterion fixed for participation in capital till lately—it is felt, is indeed appropriate. But a close watch on the progress of these ventures will also have to be kept in the interest of their successful implementation and functioning as well as for safeguarding the country's image as a new source of export of know-how and equipment to the developing nations.

In view of the ASEAN till recently welcoming foreign investments particularly in key and priority industries which involved high technology, Indian participation could not be much; the terms were heavily weighted in favour of the developed nations. The delegation, however, has stressed that there is a growing appreciation in these countries for the import of intermediate technology in various fields for they are now more interested in the establishment of such industries which are labour intensive and use domestic raw materials. Diversification of industries is being favoured for reducing dependence on a few agricultural crops. The ASEAN nations, therefore, are looking forward to countries like India that are in a position to supply technology and equipment suited to many of their needs. They have also shown a good deal of interest in going ahead with small-scale industries with Indian assistance. The setting up of a permanent mission in the ASEAN on the lines of our mission at Brussels dealing with the European Economic Community, as suggested by the delegation, can be of immense help in this regard.

It must, of course, be emphasised that efficient follow-up action will need to be taken if any offers are put forth. There is said to be a grouse in some ASEAN countries that the necessary follow-up action is mostly lacking even when high dignitaries from here hold out promises of cooperation.

In a broad measure, the following are the areas of investment offered by the governments of the member-countries of the ASEAN in line with their campaign of directing economic development in the untapped industries :

Indonesia : Agriculture, animal husbandry, infrastructure, fully-integrated textile industries, synthetic fibre production, chemical industries, tourism undertakings, medical and health equipments production.

Malaysia : Manufacture of food products, animal feedstuffs, wood products, metals, plastics, rubber, textiles, toys, natural rubber products, chemical and chemical products, agricultural implements, industrial machinery and parts, transport equipment, components, auto accessories and spare parts.

Philippines : Manufacture of chemical products, industrial machinery, equipment and parts, iron and steel, board products, transport equipment, textile products, electrical and electronics equipment, crop production and processing.

Singapore : Manufacture of up-graded petroleum products, synthetic fibres, metal working and precision engineering fields (especially, machinery and machine tools), cameras and optical lenses.

Thailand : Cultivation and processing of agricultural products, manufacture of metal alloys, chemicals involving petrochemicals, pharmaceuticals, rubber, paints, construction materials, textiles, electrical equipment, etc.

In the field of trade, the possibilities available for exporting about a million tonnes of wheat and rice need to be grasped in view of the large stocks we have on hand. With the emphasis being placed on agricultural development, it should be possible for us to spare limited quantities of these two foodstuffs for export on a long-term basis. The ASEAN apparently will be interested in importing our foodgrains only if supplies are ensured for a reasonable period.

Outlook for edible oils

The Food and Agriculture Organisation (FAO) has forecast a year of improved supplies of edible oils all over the world during 1979. A weakening trend in the prices of fats and oils in the world market has been predicted by oilseed experts at a meeting of the FAO early this month. The prices of oilseeds have risen by $100 a tonne over a year between March 1978 and now. According to the experts, large supplies may exert downward pressure on prices in world markets in the coming months. The FAO inter-governmental group on oilseeds, fats and oils estimated that exportable supplies of fats and oils for 1979 would be nine per cent larger than actual exports in 1978, even assuming no reduction in stocks. On the same basis, export supplies of protein meals, which are joint products of oilseeds crushing, would be 16 per cent larger than a year before.

Import demand for oilseed products is expected to grow only moderately following an unusual surge last year. Prices are therefore expected to be under pressure in the near future. Lower prices would stimulate demand, especially for protein meals limiting the extent of the decline. The group has cautioned that markets are sensitive to several uncertainties, which include the size of Latin American oilseeds crops to be harvested shortly, notably Brazilian soyabeans, total import needs of countries such as India, the USSR and China, prospects of north American oilseeds crops to be harvested late in 1979 and the effects of exchange rate variations.

The group has also predicted that the world production of oilseeds products would set new records in 1979, with fats and oils production going up by four per cent to 55 million tonnes and protein meal output higher by six per cent to 39 million tonnes. World export availability of soyabean oil may rise by 15 per cent to six million tonnes, while those of soyabean meal may rise by 16 per cent to 15 million tonnes.

In the case of palm oil too the groups has predicted that 1979 would see full resumption in the uptrend of export supplies. After the 1978 droughts in Indonesia and Malaysia, output this year may increase by 13 per cent. Higher output is expected in most of the other major producers of palm oil also. A 75 per cent increase in the last Canadian crop of rapeseed may lead to sharply higher world output and export supplies. World sunflower seed output will increase only slightly because of poor crop in the Soviet Union. Argentina and the United States are, however, expecting improved harvests.

First step in Rhodesia

Bishop Abel Muzorewa has been elected prime minister of Rhodesia replacing Ian Smith's white rule of this southern African country. This change-over has been the result of a settlement in which three political parties representing a large part of the black population and Ian Smith's party representing the whites had agreed to hold elections. The black parties were—Bishop Muzorewa's United African National Council (UANC), Rev. Sithole's Zimbabwe African National Union (ZANU) and Chief Chirau's Zimbabwe United People's Organisation (ZUPO).

Two important leaders who did not participate in the internal settlement were Joshua Nkomo now living in exile in Zambia and Robert Mugabe now in Mozambique. They have a large following and have fought a long underground war to overthrow Ian Smith regime. They opted to remain away from these elections and in fact had threatened to make them impossible, because they want a complete elimination of white power. On the other hand, the prime minister-elect, Bishop Abel Muzorewa, has strongly defended the right of the whites to stay as they were also Africans. Under the present circumstances, therefore, these elections and the election of Bishop Abel Muzorewa can be considered as a significant first step towards a popular regime in Rhodesia.

The UN Security Council has declared the elections in Rhodesia "held under the auspices of the illegal racist regime and the results thereof as null and void." The resolution was adopted by a 12-0 vote, with the USA, Britain and France abstaining on the conclusion of the two-day debate on a request of the 49-nation UN African group. Declaring that they were not bound by the resolution, the USA and Britain kept themselves free to recognize the biracial government to be officially installed shortly. The attitude of the African countries is understandable because they do not want to bless a regime in Rhodesia which does not have the participation of two popular groups led by Nkomo and Mugabe. Second, they are all committed to the complete ouster of white power in Rhodesia. This attitude ignores the positive points in the present settlement which instals a black prime minister and also trains the political parties in the art of running their political institutions. Moreover, such gradual changeover can eliminate traumatic effects of bloody revolutions.

subject of controversy

The new consitution has been a subject of controversy because it represents a watered down concept of majority rule with whites retaining a share of power out of proportion to their numbers. For at least the first 10 years of independence, whites will retain 28 out of 100 seats in the assembly, 20 of the MPs being elected on a separate white voter's roll (already voted for) and eight by members of the existing parliament. The net effect is to give Smith's Rhodesian Front a clean sweep of all the 28 seats.

Moreover, for the first five years of independence, the government will be one of "national unity' with cabinet seats offered in proportion to the number of seats each party wins in the assembly. As a result whites, who comprise only four per cent of the population, will automatically hold a quarter of cabinet seats. One of them could be occupied by Smith, who has been returned to parliament unopposed.

It is equally important that key institutions such as the police and security forces have been taken out of the control of the government and placed under the jurisdiction of independent authorities which, on paper at least, are likely to be controlled by whites for the foreseeable future. The whole structure is guarded by clauses which can only be overturned by 78 members of the assembly, thereby giving the whites a veto.

unacceptable terms

These terms of 'internal settlement' were not acceptable to both Nkomo and Mugabe. The last minute bid by the envoys sent by the British and the US governments failed to get the two underground leaders to participate in the elections. They offered that the elections would be supervised internationally. But when they failed to ensure the participation of all groups, they acknowledged that it was too late to change the election time table.

A striking feature of the election has been the extremely wide geographical variation in voting patterns illustrating in very broad terms the extent to which the Salisbury government and the guerrillas hold sway in various areas. Thus the heaviest voting was to be found in the three provinces of Mashonaland, comprising a belt across the north of the country. It is an area which includes Salisbury, many white farms, a large number of protected villages and many auxillary forces loyal to the Salisbury government. Polling was lower at 46 per cent in Manicaland, down the eastern border with Mozambique, despite the fact that this is the home area of both Bishop Muzorewa and Rev. Sithole. It has been strongly infiltrated by guerrillas, as has been the Victoria province in the south east, where only 36 per cent of the population went to the polls. A mere 30 per cent of voters cast ballot papers in Matabeleland South, the home area of Joshua Nkomo. For the most part, his people, who comprise about 20 per cent of the population, seem to have shunned the polls. This demonstrates a considerable guerrilla hold over large tracts of the countryside.

Tobacco to burn

In spite of the persistent anti-smoking propaganda in leading countries of the world, the long-term upward trend in demand for tobacco products is expected to continue in 1979. According to the Food and Agriculture Organisation (FAO), production and demand prospects for 1979 point to a year of growth in the world tobacco economy. The most marked expansion is expected in developing countries.

World production of tobacco fell by one per cent to 5.6 million tonnes in 1977. Increased tobacco crops in developing countries did not completely counterbalance the drop in production in developed countries. FAO notes that following the temporary setback of 1977, world production of tobacco increased in 1978 as a result of large crops in both developing and developed countries. Consumption of tobacco products advanced rapidly in developing countries, but in a number of major developed markets growth has lagged due to antismoking campaigns, increased taxes and higher retail prices. World exports of tobacco increased during 1978 following the drop in 1977 and higher prices of unmanufactured leaf resulted in an additional increase in the value of tobacco trade.

World exports of unmanufactured tobacco fell by 2.5 per cent to 1.27 million tonnes in 1977. This represented the third successive year of reduction from the peak level reached three years ago. This has been due to reduced import demand reflecting poor prospects for sales of tobacco products in certain major developed markets and the drawing down of stocks by manufacturers. The value of world tobacco trade in 1977 was assessed to be more than 3000 million dollars. The FAO report reveals that the possibilities offered by modern industrial techniques for utilising mild neutral tobacco in blended cigarettes have led to a gradual switch over by importers and manufacturers to supplies from developing countries enjoying cost advantages.

Cow jumps over the moon

FETISHES AND taboos connected with animals are the common property of mankind. They are usually, though not always, religious. Ancient sentiments and cultural traditions have a lot to do with it. But, more generally, the ritualistic slaughter of animals for food has a religious flavour. Animal sacrifice on the altar of the gods, as a necessary preliminary to ritualistic feasting, is familiar to various religions. There is, obviously, a scheme of eligibility for animals to make the grade as sacrifice or food. Quite interestingly animals acquire immunity from slaughter for either of these purposes when they are considered "unclean" as is the case with swine or when they are regarded as "sacred" as is the case with cow (including its male).

It is futile to ask of any people that they be "rational" about food taboos or animal fetishes. So long as these are rooted in their cultural environments, they would continue to be prisoners of these fads or fetishes. The orthodox Jew will touch only kosher food and quite recently in Iran, Ayatollah Khomeini reportedly ordered to be dumped or buried large quantities of imported mutton on the ground that the animals had not been ritually slaughtered; he is also said to have outlawed pork.

In China and Japan and in some of the south-east Asian countries food taboos seem to be virtually non-existent. This also seems to be the case in most tribal societies in Africa, where various kinds of animism prevail. However, should there be in these communities taboos with totemistic associations their discipline is imperative and final with regard to the killing or eating of animals. Incidentally, Christianity in some of its forms does not seem to be free from mystique about meat-eating.

There is therefore not much point in condemning the Hindu taboo on beef-eating as peculiarly irrational. It is no more or no less irrational than the food taboos we find in many other cultures, or indeed the "rationality" that we see all the time in much that mankind thinks, says or does. Moreover, many of those (usually "foreigners") who cannot figure out why even non-vegetarian Hindus should beef about beef-eating are surely ignorant of the fact that Hindu religious sentiment is not simply against the eating of beef but against the killing of cows in any circumstances whatsoever. In other words it is *go-hatya* itself which is the original sin. In terms of Hindu orthodoxy, a Hindu becomes an outcast on slaying a cow.

There is no denying the fact that the government's response to Acharya Vinoba Bhave has underscored the fact that the Hindu sentiment about the cow is a powerful political reality. But this does not necessarily mean that the forces of religious obscurantism or communal fanaticism have scored over the pure and unsullied

Exploited in life, exploited in death

spirit of secularism. On the contrary, many of the arguments advanced against the banning of cow slaughter have religious overtones or communal links. To contend that cow slaughter should not be banned because the Muslim and Christian communities may be opposed to it could also be as much an appeal to communal factor as the demand that cow slaughter should be banned because the Hindus will have it so. In other words, once the religious angle is pressed into service in whatever manner, secularism becomes a casualty. In any case it ought to be conceded by any fair-minded person that the laws of the land do make concessions, some of them quite unreasonable, to customs or sentiments which have historically come to bind particular religious communities. Such concessions, for instance, are not unknown to our marriage laws.

The so-called secular approach to the cow slaughter issue therefore does not seem to be as decisive as it is often taken to be except that its value as a normative discipline could be an asset to any community trying to be ideal. This apart, within the framework of the current facts of life, governments will have to come to terms with the predominant mores of their respective citizen communities. The majority counts, whether in Israel, Iran or India. Politicians understand this but in certain circumstances it suits them to pretend that they do not.

Meanwhile the economists who have intervened in the controversy on banning cow slaughter have certainly not distinguished themselves by their capacity for sound reasoning. Dr K. N. Raj has been a doughty champion of the right to eat cow. He has pressed into service a wide variety of arguments. He says that beef is the staple food of certain minority communities. This assertion is not even true of Muslims in West Bengal or Kerala, if only because of what it costs to eat. The staple food of non-vegetarians as of vegetarians happens to be cereals outside the more affluent sections of the community. Even among upper class non-vegetarian communities the partaking of meat at every meal is not widespread. Again, the meat dish in most non-vegetarian Indian homes is a side dish rather than the main course which is rice or chapati. In other words, meat, let alone beef, is not the staple food even of non-vegetarian families in this country.

It is also not true, as Dr Raj implies, that a ban on cow slaughter or a restricted ban on she-buffaloes would mean a ban on beef. Steak does not wear its sex on its sleeves or indeed anywhere else. Even if cow slaughter is banned in West Bengal and Kerala, the Muslim and Christian communities there could still have their beef since the male of the bovine species will continue to be available for slaughter.

Moreover the claim made by Dr Raj that beef is the staple food of a considerable number of our people may give the wrong impression that there is anything like an organized beef industry in our country. He knows surely that there is no such thing. Cattle (including buffalo) are bred in this country either as milch cattle or as dual purpose cattle. Buffalo is bred mainly for dairying. Beef is a marginal by-product of animal husbandry and even when cattle is slaughtered the carcass is exploited as much by the leather industry as by the meat trade. This explains why so much of the beef on the hoof in this country is just skin and bones.

The fractional character of the beef industry is further emphasized by the fact that only about a million cattle is slaughtered for food, whether legally or illegally, out of a total cattle population of 300 million. By and large slaughter cattle is not cattle of prime quality. Most of this merchandise is of famished, worn out,

Law and the cow

Cow slaughter is mentioned in one of the Directive Principles of the Constitution under article 48, which provides that the state shall take steps to prohibit the slaughter of cows, milch and draught cattle. Now any legislation passed in pursuance of the Direciive Principles must also conform to the Fundamental Rights stated in Part III of the Constitution. Some of the states in the past had passed legislation on a total ban on the slaughter of cows, she-buffaloes and milch cattle. The matter came up before the Supreme Court in the case of Md. Qureshi. The Supreme Court held that a total ban on the slaughter of cows, she-buffaloes, bulls and bullocks, after they cease to be capable of yielding milk or breeding, is not in the interest of the general public and is invalid. This is the law of the land even today.

Cow slaughter is essentially a state subject. It falls within the state list. It is for the various states to enact legislation provided they do not exceed their powers as determined in Md. Qureshi's case. It is possible for the centre to pass legislation on the subject only if the Constitution is amended. It is clearly within the states' legislative competence to enact legislation banning the slaughter of cows and other cattle. The centre, as the Constitution stands, cannot enact legislation because this is a subject which is in the states list. In order to do so the centre will have to amend the Constitution. Thereafter the centre will have the necessary power and it can carry out the exercises in keeping with the ruling of the Supreme Court.

—SOLI J. SORABJI, Additional Solicitor-General

decrepit and aged animals. They cannot be a meat of choice except for the poor who do not usually have much of a choice in matters of food or indeed anything else. The small number of choice animals which are slaughtered serve mostly the kitchens of expensive hotels and they are therefore not to be considered as part of the staple food of any considerable number of people. Dr Raj moreover should ponder the fact that the exports are estimated to account for about half the number of cattle slaughtered in this country. His argument that a ban on cow slaughter would make serious inroads into the availability of a staple food for any appreciable section of the community therefore seems to be far-fetched. On the contrary, it is the export trade that seems to exert the major pressure on supplies or prices.

Dr Raj has argued that a ban on cow slaughter is difficult to enforce and that it will be violated successfully in areas where there are relatively large numbers of people who prefer beef. But, then, those who eat beef would still have beef of the other sex so to speak. To that extent such sacrifices as they will have to make in terms of their food preferences will be eased. There is of course substance in the argument that any legal prohibition which is found unreasonable or inconvenient by any section of the community will necessarily present problems of enforcement. **This is one of the key arguments against prohibition. But, whereas illicit liquor is practically impossible to banish, illicit beef is not. Commercial slaughter on any significant scale can certainly be policed, fairly effectively. In fact, apart from the cow question, commercial slaughtering of fish, fowl or animals must obviously be carried on only under controlled conditions. The municipalities are supposed to do this and if they do not discharge this responsibility properly, not only they lose revenue, but the public health risks being jeopardized.**

Some very curious arguments have been advanced for the purpose of making it appear that the ban on cow slaughter, which already exists in most states, is being extensively evaded. Dr Raj, for instance, has stated that the sex distribution of cattle is about the same in Uttar Pradesh where there is a ban on cow slaughter as in West Bengal or Kerala where there is no ban. From this the inference is drawn that cows are killed as merrily in UP as in West Bengal and Kerala. But it is surely a well-known practice with farmers and dairymen to neglect the care of young she-calves of dual purpose or draught cattle, which results in high infant mortality among this category.

A Calcutta cattle market

This apart, it is surprising that Dr Raj should have so completely overlooked the significance of certain conspicuous features of the cattle trade. Uttar Pradesh exports cows to the cattle markets and slaughter houses in West Bengal, while Kerala imports cows for slaughter openly from Tamil Nadu and in a clandestine fashion from Karnataka. Dr Raj should also recognize the fact that the dairy cattle imported into Calcutta from Haryana and Punjab is generally marked down for slaughter when they go dry. Without making allowances for these cattle movements, Dr Raj cannot maintain that this study of sex distribution of cattle proves that in the states where the slaughter of cows is banned, illegal slaughter of these animals is as extensive as it would be had there not been any ban at all.

The appeal to international statistics is also similarly unconvincing. Dr Raj says that the sex distribution of cattle population in Pakistan is the same as the sex distribution of the cattle population in India and that this is more proof that a legal ban on cow slaughter, wherever it is supposed to be in force, is like a word written on water. It must be realized that Pakistan has valuable breeds of dairy cattle and there certainly seems to be a conservation policy in force there for preventing the destructive exploitation of milch cattle. In fact there has been a government decree in Pakistan restricting the eligibility of dairy cattle for beef.

It should not also be supposed that, simply because Islam does not prohibit beef, Muslims are necessarily voracious and habitual eaters of cow. After all Dr Raj who seems to be so conscious of the economics of the relative prices of various kinds of non-vegetarian food in Kerala, should also have taken note of the relative prices of beef and, say, mutton in Pakistan. Quite possibly more mutton is consumed in Pakistan than beef for purely economic reasons. In any case, so long as Dr Raj has not produced sufficient statistics on these or other aspects of beef economics, his inferences will have to be treated with a great deal of circumspection.

Subject to these reservations, it could be conceded that the enforcement of a ban on cow slaughter in the states where there is such a ban is not effective enough, just as the enforcement of so many regulatory laws is not sufficiently efficient. One reason of course is that the Supreme Court, on an interpretation of the relevant clause of the Constitution, has held invalid a total ban on cow slaughter. In other words, in terms of this judgment, state governments could impose only a partial restriction and in such circumstances there is naturally much scope for evasion through the exploitation of loopholes. A particularly cruel practice is the maiming of cattle in order to "qualify" them for slaughter. That there is also vast room for the bribery of the inspecting staff charged with certifying catte for slaughter goes without saying. This incidentally could be in favour of the contention that, if cow slaughter is to be banned, the ban should be total although, as pointed out earlier, this may not be possible in law as laid down by the Supreme Court.

Economists objecting to a ban on cow slaughter have tried to link this issue with the issue of the rationalization of animal husbandry. But they have not been able to make out a good case. At a crude level it may be possible to argue that the cattle population of 300 million

Horse is not cow

Where sentimentality about animals abounds, there is no rhyme or reason; people of different races, religions, climes or cultures—all of them live in glass houses. This is dramatically brought out by the following anecdote (real life) narrated by Agatha Christie in her autobiography "Come, Tell Me How You Live":

"How many of us", Max asks suddenly, "would really succour another human being in conditions where there were no witnesses, no force of public opinion, no knowledge or censure of a failure to extend aid?"

"Everyone, of course!" say the Colonel firmly.

"No, but would they?" persists Max. "A man is lying there, dying. Death is not very important here (a west Asian desert country). You are in a hurry. You have business to do. You do not want delay or bother. The man is nothing whatever to you. And nobody will ever know—".

We all sit back and think and we are all, I think, a little shattered. Are we so sure, after all, of our essential humanity?

After a long pause Bumps says slowly, "I think I would...Yes, I think I would, I might go on, and then, perhaps feel ashamed and come back".

The Colonel agrees.

"Just so. One wouldn't feel comfortable".

Max says he thinks so, too, but he isn't nearly so sure about himself as he would like to be and I concur with him.

We all sit silent for a while, and then I realise that, as usual, Mac has made no contribution.

"What would you do, Mac?"

Mac starts slightly, coming out of a pleasant abstraction.

"Me?" His tone is surprised. "Oh, I would go on. I wouldn't stop".

We all look interestedly at Mac, who shakes his head.

"People die so much out here. One feels that a little sooner or later doesn't matter. I really wouldn't expect anyone to stop for me".

No, that is true. Mac wouldn't.

His gentle voice goes on. "It is much better, I think, to go straight on with what one is doing, without being continually deflected by outside people and happenings".

Our interested gaze persists. Suddenly an idea strikes me.

"But suppose, Mac", I say, "that it was a horse?"

"Oh, a horse," says Mac, becoming quite human and alive, and not remote at all. "That would be quite different, of course. I'd do everything I possibly could for a horse".

["Max" was Max Mallowan, the archaeologist-husband of Agatha Christie, who was leading an excavation team in "remote Syria" (Circa 1935-37). Her wife was with him and among other members of the company was "Mac", a young architect.]

should be purged of all uneconomic animals by a once-for-all mass slaughter, so that the cattle economy of the country could be given a new start. But nobody has seriously advanced this contention—and the reason is obvious. Much of the resulting carcasses will have to be buried or burnt after they have been skinned. Hence few dare talk in these terms of a final solution of our cattle problem.

Red Sindhi cow

Courtesy ICAR

Instead people "hum" and "hah". With laboured sophistication they speak of "culling", of letting beef eaters eat up uneconomic cattle gradually over the years. The logic here is faulty because this process of elimination will be so feeble as to be negligible. **This has been proved by the fact that even before cow slaughter was banned in so many states the population of useless cattle was certainly not being controlled in any meaningful sense by the butcher's knive.** It must be realised that, apart from a small number of prime cattle slaughtered for the table of the affluent or cows or she-buffaloes in the city dairies which are sent to the butcher at the end of their lactation, the cattle entering slaughter houses are dried up woe-begone miserable creatures which have already been used up one way or the other to the point of physical exhaustion. Nobody in his or her senses would describe their elimination as a scientific culling process, having any relation to modern animal husbandry.

Animal husbandry necessarily means that cattle must be bred for specific purposes. In western countries this involves cattle being bred for milk or beef. In our country this has meant cattle being bred for milk or as a dual purpose animal, the second purpose being work on the farms for bailing water, ploughing and threshing or work on the road for pulling carts. In other words, we have not been and we are not breeding beef cattle and unless there is a beef cattle industry as such, the case for slaughter of cows as a valid practice of animal husbandry cannot be taken seriously. As it is, when cows and in most cases other cattle are slaughtered in our country it is not when they are becoming a burden, but only long years after they have become a burden and the cost-benefit ratio has drawn near to zero or even sunk further. The "culling" argument therefore is intended only to confuse issues, when it is employed in favour of cow slaughter in the prevailing conditions of the cattle economy in our country.

What "culling" in terms of scientific animal husbandry means, has been indicated in a study by Prof. Dr Wilhelm Scheper of Kiel university, who, after a fact-finding trip in 1972, made his "Analysis of the Economics of Dairy Farming in India". **He points out that the slaughter cattle market is not a notable source of income for the rural areas. Unproductive animals are taken over by dealers at either very low prices or for zero payment. So much for one of the arguments of Dr Raj that cattle slaughter is a significant means of livelihood for people. It does not seem to be so at all for the farmers or others who are getting rid of their livestock towards the fag end of the latter's existence.**

According to Dr Scheper some kind of economic sense could be built into the slaughter cattle market for cows only when dairy herds are brought under the discipline of scientific culling. He illustrates this in terms of a dairy farm with a herd of 10 crossbred cows with an annual production of 2,000 kg of milk per cow. In addition to these ten cows, this herd will also include two in-calf heifers, two to 2½ years old, eight young animals and calves, aging from zero to nine months and six young animals aging from 10 to 24 months. It is assumed here that the stock of cattle is maintained from its own progeny on the farm itself and that on an average the cows have three lactations on the farm.

This would mean that every year three dairy cows in the herd are replaced by heifers born in the herd. Three older animals thus become available each year for sale. In addition, there are about four to five male animals available for sale each year. The animals eliminated from this model herd will probably be still conditionally productive and some of the young animals will no doubt become draught animals. However, over a period there will be a surplus of cattle which could have an appreciable market value in the slaughter cattle market but it could become a burden on the farm or the community if the killing of cows for beef is restricted or prohibited.

Sahiwal cow

Courtesy ICAR

The basic assumption here is that

cow slaughter makes economic sense only when scientific culling is practised in modern dairy farms on a sufficiently large scale. It will make even more economic sense if cattle is also bred primarily for beef as part of the total animal husbandry scheme. Otherwise, in the conditions actually prevailing in our country, it does not make sense to elevate cow slaughter to a significant programme of cattle management or scientific animal husbandry.

It is true of course that there is no causal connection between a ban on cow slaughter and compassion for animals including cow. In the first place since animals will continue to be slaughtered for food, what compassion dictates is that slaughter livestock, whatever particular animals they may be, should be killed in the most humane manner possible and that, during the period preceding slaughter, their elementary needs for water and shelter should be provided for and their transport to slaughter houses made as comfortable as possible.

People who take delight in complaining about Hindu obscurantism in the matter of cow slaughter are curiously silent about the rituals of other religions which specifically veto humane methods of slaughter.

It will be a good thing if the current national debate on cow slaughter quickens people's compassion for all slaughter animals and generates public opinion in favour of modern abattoirs being set up not only in a limited number of major consuming centres, but in a large number of breeding and supply areas so that slaughter animals are spared the harrowing experience of being trucked in congested numbers in the most brutal manner or driven long distances through incessant belabouring until they finally arrive at the place of slaughter.

Among the piteous sights one may see in this country is the melancholy trek of skin-and-bone cattle through the streets of Bombay to the slaughter houses at suburban Deonar, after they had already dragged themselves painfully over miles and miles from the countryside. Even more lamentable is the spectacle of aged and ailing animals, hardly able to walk being pushed and pulled through long stretches of ghat roads in the course of their journeys from the lowlands of Tamil Nadu to the highlands of Kerala, or from places in Karnataka to the hill district of Nilgiris in Tamil Nadu.

Kankrej cow

Courtesy ICAR

Now that meat production is becoming more and more commercialized and is no longer an affair of a goat or a hen or two being butchered in the backyard for household consumption, some attention should be paid to the development of a network of modern abattoirs at various points in the country so that slaughter animals may be spared the savagery of being hustled and harried over long distances to places of slaughter. **From this point of view, the banning by the Tamil Nadu, Uttar Pradesh and Haryana governments of the transport of cows to other states for slaughter is one of the consequences of Vinoba Bhave's fast which could be welcomed without reservations of any kind. Karnataka had earlier banned similar export of cows. The need now is for all states acting together to ensure that not only cows or cattle but all slaughter animals are protected from the pain of having to travel long distances in great physical distress before they obtain merciful relief by grace of the butcher's knife.**

There could perhaps be a limitation on distances over which animals could be transported for slaughter and conditions may also be prescribed with reference to the means and modes of transport so that the animals are not put to suffering due to overcrowding or physical assault and are also provided with water facilities and shelter at necessary stages of their final journeys. Above all export of livestock for slaughter should be stopped since such shipments involve excessive suffering for the animals. Indeed one could argue that this could be an occasion for national awakening with regard to the broad issue of the prevention of cruelty to slaughter animals or indeed all living things which are killed for food. The Rukmini Arundale committee had reported years ago on this problem and its report should be taken off the shelf, dusted and put to proper use.

There can of course be more than one opinion on the propriety of Acharya Vinoba Bhave's fasting on the cow slaughter issue or the prime minister acting under the coercive pressure of that fast to announce a government decision to introduce during the current session of parliament a bill to amend the Constitution for transferring cow protection to the Concurrent List. This legislative manoeuvre has become necessary because the governments of West Bengal and Kerala have refused to follow the example of other states where there is qualified ban on the slaughter of cows. But it is not very useful to continue this particular debate since the government has acted in the light of a demonstrated reality of our democratic political system, even though the immediate compulsion has come from the threat of self-immolation held out by an individual who happens to occupy a certain place in our public life or the national scene.

It will be more to the point to explore the implications of the government decision and the course of action that it may now adopt to implement that decision. It is not clear from the prime minister's statement whether the government is committing itself to a total ban on cow slaughter. According to legal opinion, both within the government and outside, a total ban may come into conflict with the Supreme Court's interpretation that any legislation in pursuance of the Directive Principles must also conform to the Fundamental Rights enshrined in Part III of the Constitution. It is doubtful that the prime minister intends altering this situation by an amendment of the Constitution.

In fact currently opinion in parliamentary and political circles seems to favour as simple a device as possible for the purpose of getting over the constitutional difficulty posed by the refusal of the governments of West Bengal and Kerala to legislate for the banning of cow slaughter. The Law ministry is reported to be considering the feasibility of Rajya Sabha passing a resolution under article 249 of the Constitution which empowers parliament to make temporary legislation with respect to any matter once a resolution to that effect has been adopted by Rajya Sabha for a specific purpose. Legislation under this process is effective for one year, but it will secure extended validity for an unlimited period if renewed annually.

The cow, of course, has always been a political animal, although not in the sense intended by Aristotle. The cow-and-calf symbol has not only made political history, but has also passed into folk humour. Not surprisingly then considerable public interest attaches to possible moves on the part of Mrs Gandhi to capitalise on the aftermath of Acharya Vinoba Bhave's fast. She very promptly expressed her sympathy with and support to the cause, but her party has declined the prime minister's invitation to express in advance its consent to the move for central legislation to effect a ban on cow slaughter in West Bengal and Kerala.

Her explanation is not without plausibility. She has pointed out that the present government after all did not think it necessary to consult her party on other important legislative occasions, particularly the passage of the Act setting up special courts to try cases involving emergency excesses. She has certainly scored more than a debating point, but having done this, she is unlikely to advise or instruct her party in parliament to obstruct legislative action in implementing the prime minister's assurance on the strength of which Acharya Vinoba Bhave broke his fast.

At state level both governments in West Bengal and Kerala have reiterated their strong opposition to the action proposed by the central government. Apart from the specific question of banning or not banning cow slaughter, the West Bengal government particularly has raised the issue of state autonomy. Here it has predictably been supported by the government of Tamil Nadu, although that government has lost no time in introducing a bill in the state legislature for the total ban on the slaughter of cows and calves and she-buffaloes. This is an advance on the present state of the law in that state which allows animals including cows to be slaughtered subject to certain conditions. The bill also provides for a ban on the transport of any animal including cow, from within the state to any place outside for slaughter.

Although the issue of state rights has many champions beyond West Bengal or Tamil Nadu, it is unlikely that the states in the Hindi belt, in particular, will avail themselves of the present occasion to raise this major constitutional controversy. At the same time it is clear enough that, even within the ruling party, groups besides important individuals do have reservations about a total ban of cow slaughter or at least about the centre's imposition of such a ban in states the governments of which have expressed dissent. There are also differences of opinion within the Janata party regarding the propriety of the government acting under the moral coercion of Acharyaji's fast.

Nevertheless fasting as an effective political weapon may not die out until the elder generation of politicians and politician-saints wither away. We must contemplate with wonder and even awe how the mores of a culture have a way of asserting themselves in the most unexpected manner. Today many sections of the western press are singing hallelujahs to what they describe as the resurgence of Islamic fundamentalism from Iran to Indonesia. Let them at least desist from pouring contempt on their favourite whipping boy of "Hindu obscurantism" that would deify the cow.

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The saving-investment gap

Addressing the Hindustan Chamber of Commerce, Madras, which held a reception in his honour on April 17, Mr L. N. Birla explained why he found the economic trends disturbing. The rate of saving in the economy is by no means excessive. Even so investment is lagging behind. Clearly, then, government policy should become growth-oriented and steps taken to stimulate investment; otherwise the economy will remain a victim of arrested development.

SINCE THE inception of planning in 1951 we have pumped into the economic system about Rs 78,000 crores as public investment and about Rs 35,000 crores as private investment. However, in the last three years, there has been, in spite of such favourable factors as agricultural prosperity, abundant foreign exchange reserves and price stability, a decline in investment. Worse still, the rate of investment is less than the rate of savings. Why?

Two factors are specially responsible for this. One, the rate of return on investment has been falling sharply reducing both the re-investible resources and the attractiveness of investment. Second, the cost of projects has also been rising very sharply requiring much larger investment for the same level of physical production. Unless these two factors are thoroughly examined and their causes removed the economy will continue to stagnate.

So far as the rate of return on investment is concerned, the revenue of government is dependent mainly on the private sector. The performance of public sector enterprises, even those which are virtual monopolies in their field, has been extremely poor compared to their counterparts in the private sector in terms of production, prices, quality or after-sales service. After 25 years of privileged existence, the public sector had made a net loss of Rs 14 crores last year on a total investment of about Rs 15,000 crores and it may be worse this year. From the prime minister downwards, many have expressed concern. Even a five per cent profit on the public sector investment would have raised Rs 650 crores thus obviating the need for additional taxation.

The private sector, more exposed to the market forces than the public sector and having the same constraints of price controls, high taxation and uneconomic interest rates, which reduce its profitability and, therefore, its internal resources, is hard put to raise funds for investment either in the capital market or from term lending institutions. With the capital market in doldrums, and the terms and conditions of the lending institutions being stiff, even entrepreneurs with licences in hand are unable to raise the requisite resources.

Apart from this, needless and growth-retarding controversies such as the nationalisation issue, status and role of small, medium and large industries etc, all serve to undermine business confidence and vitiate investment climate. This atmosphere is obviously uncongenial for long term investment planning by private enterprise, especially in view of the drastic powers already wielded by the government.

In the current year, the massive central dose of Rs 646 crores of additional taxation will further raise prices, impoverish the consumer and retard growth. It will not go far to finance additional Plan investment. In fact, Plan outlay will increase by only 7.4 per cent against the normal annual increase of 25 per cent to 30 per cent in earlier years.

high-cost economy

This dose of heavy taxation will mainly finance non-developmental expenditure and is bound to have its impact on wages, prices and cost of projects and start a vicious price spiral of its own. In fact in the last five years the tax effort has been so heavy that the total tax revenue collected by the centre, states and union territories during the period exceeded Rs 60,000 crores, more than the total tax revenue collected in the preceding 15 years. What has all this tax effort achieved? Poverty and unemployment have not decreased, non-developmental government expenditure has multiplied mainly to support a sprawling bureaucracy and a high cost economy has been generated.

In each Plan without exception, the financial targets have invariably been exceeded due to runaway costs and delayed implementation, while the physical targets have fallen short. In fact, in almost all the major sectors the achievements in 1978-79 are substantially below the fourth Plan targets e.g., finished steel production is about six million tonnes against the fourth Plan target of 8.1 million tonnes; fertiliser production is 2.7 million tonnes against the target of 3.4 million tonnes for 1973-74; refined petroleum product is 24 million tonnes against the fourth Plan target of 26 million tonnes and railway freight carried is also below the fourth Plan target. In electricity, capacity created today is only slightly more than what was envisaged for 1973-74. It has taken an additional five years and extra Rs 41,000 crores to achieve the fourth Plan targets.

Our current achievements of eight per cent growth in industrial production has come mainly through better capacity utilisation, exceeding 80 per cent in most industries. In a number of industries, such as steel, caustic soda, cement, aluminium, etc ominous shortages have begun to emerge. This growth rate of eight per cent cannot be sustained unless capacity creation is speeded up. The low level of capacity in the pipeline for most commodities is a diabolical precursor of imminent shortages and inflationary trends in the future.

reviving capital market

However, an increase in the rate of investment will be impossible unless the profitability of investment is improved for this alone will enable units to generate adequate internal resources and be able to offer an attractive return to investors. This implies that policies for the revival of the capital market need to be formulated. The revival of the capital market is also important from another angle. For the average citizen, the latest imposts have not only cut into his take-home pay, but his consumption costs also have risen. Thus, his capacity to save has been sharply eroded. As it is, the avenues for savings such as bank deposits, LIC, provident funds, etc are limited, and yield at best not more than nine per cent and have no capital appreciation. Consequently a middle class person even after 30 years of active life, has little left to provide for his daily cost of living and providing for a roof over his head and education of his children. Shares, with the twin benefits of good dividend and capital appreciation can be made an attractive and productive channel of savings. This naturally calls for a radical change in policy, keeping in mind the dominant forces underlying the policy on the one hand, and our experience on the other.

ignored market forces

In the modern world, the two most powerful institutions are the state and the market. Most of the activities of the government, whatever be the political system, are predominantly economic; national defence, transportation, communication, social security and a host of other things. The way in which funds were raised and spent influence the market for good or bad. At the same time, the market forces cannot be consistently ignored if the policy measures are to be really effective. What has happened in India is illustrative of this truth.

Over the years now, the state in our country has been interfering with the market through restrictive laws and rules, controls and regulations in complete disregard to their impact on the health and growth of the economy and to the fact that "useless laws weaken (even) the necessary ones", as was said by the French philosopher Montesquieu, Monolithic state enterprises also get set up; major banks, life and general insurance and coal industry have been nationallsed; considerable part of the road transport has met the some fate. As I said earlier, nearly Rs 15,000 crores have been invested in the public sector enterprises by the centre alone. There are various pieces of legislation that are designed to regulate in detail the functioning of the corporate sector. The most important of these include the Industrial Development and Regulation Act, the Essential Commodities Act, Monopolies and Restrictive Trade Practices Act, Company Law and Capital Issues Control. There are as many as 4,000 acts on the statute books, many of which have become outdated and redundant. There are other instuments such as appointment of government directors, regulation of managerial remuneration, approval for the appointment of senior management and technical personnel. Financial institutions exercise supervision in their capacity as lenders. There is the Damocles' sword in the shape of convertibility clause. The hatchet of nationalisation bobs up like King Charles' head.

The dismal performance of the nationalised coal industry provides the most glaring evidence of the failure of this policy to produce positive results. In fact, the coal industry with a loss of over Rs 500 crores in the last five years has burdened the tax payer with additional taxes, a large part of which go to subsidise such unproductive investment. What is more, since nationalisation, the price of coal has been hiked by about 250 per cent and there are always demands for a further increase. Before nationalisation the private sector could not get even a 50 paise increase despite months of negotiations with government and numerous trips to New Delhi. On the other hand quality has deteriorated to an extent that even the power generating units are being damaged because of being compelled to use low grade and high ash content coal.

ill-conceived policies

The production target of 113 million tonnes for 1978-79 has fallen short by about 10 million tonnes, thus necessitating avoidable imports of coking coal at prohibitive prices of Rs 800 a tonne. It is difficult to believe the government claim that actual production has gone up from 76.3 million tonnes in 1971-72 to 103 million tonnes in 1978-79 or by about 35.5 per cent. Where has the additional coal gone, even in the face of reduced demand for coal from railways due to dieselisation? This remains an open question. The undesirable effects of the ill-conceived nationalisation policies (as shown by the coal industry) is a warning to government to desist from extending such policies on cheap populist considerations. It is not the politician who bears the brunt but it it the poor tax-payer.

The rates of taxation and the very basis of taxation are frequently changed to the detriment of the assessees, and if I may say, of the economy. Take the two recent proposals in the budget of Chaudhry

Charan Singh, the deputy prime minister and minister of Finance. He has withdrawn exemption to capital gains arising out of sale of property and also lowered the limits of long-term investments in insurance premia, provident fund etc. Both these proposals are taxes on savings and go counter to the philosophy proclaimed all these years that while expenditure may be taxed, savings should be encouraged. It is interesting to note that the former was introduced by Mr H.M. Patel who belongs to the same political party as the present Finance minister and the latter was liberalised only last year by him. Where is the sanctity of any tax law if different Finance ministers belonging to the same party and within the same regime go about altering them so drastically? I still hope that Chaudhry Saheb will have second thoughts on these proposals and also realise that what we need today is not tax gimmickry but thorough overhauling of our taxation structure so that it encourages initiative to work, to save and to invest. The way things now stand, it is hardly worth taking a risk any more because as they say in America we have taxed Horatio Alger to death.

series of surpluses

In spite of a number of dark and grey patches in our economy and the prevailing atmosphere of negativism, political confusion and tug-of-war, on the whole the economy is better placed today than it was, say, five years ago. It is faced with a series of surpluses—surpluses in foodgrains, in foreign exchange, in savings over investment, in the capacity of key industries, in liquidity in the banks etc. In the countryside, a transformation, verging on an agrarian revolution is on the way. Confidence stems from what Indian technology has come up with and what India can now do with land, water, sun and energy supply.

Lack of foreign exchange was all along considered a serious constraint on the developmental efforts of the country. Today we have a surplus of it amounting to more than Rs 5,000 crores. This is not because our exports are higher and imports lower, both these present a disturbing trend, but on account of remittances from abroad by our nationals who are enriching various countries of the world by their expertise, acumen and hard work. These balances and others which are not being remitted, but invested in low income yielding investments in foreign countries, can be used to boost our economy by filling up the gaps in our infrastructure, such as power generation, transport, machine building, exploration of petroleum, research capabilities etc. The point to be emphasised is that these hard-earned exchange balances should not be allowed either to lie dormant or frittered away in importing commodities and materials which can be easily produced in the country without much time-lag. As Mrs Thatcher is reported to have said in connection with the North Sea oil findings that these should be utilised for building something permanent and not wasted on easy living.

I have mentioned above the other asset, namely the stocks of foodgrains that the country has built up. This is a good buffer and an insurance against runaway inflation. But the authorities will have to be very vigilant to ensure that both the quantity and quality of it do not get depleted and deteriorate. According to a study conducted by the Birla Institute of Scientific Research, even in normal years 12.80 per cent of foodgrains in our country are lost during threshing, transportation, processing and storage. These losses might be larger in the last and the current year because of the unprecedented floods in the country. According to one international authority, if foodgrains are exposed to dampness, they get mouldy and become unfit for human consumption. Utmost care should therefore be taken to see that this valuable asset that we have garnered over the last three years, is preserved and utilised properly.

Equally important is the emergence in our country of entrepreneurship, of skilled manpower, managerial capability, technical skills and technology in all branches of activity. Given the opportunity, the appropriate climate and incentives, this growing pool of skills can certainly be utilised for the advancement of the economy. Why is it then that we are not doing better than we have been? The answer to my mind is that growth has to be induced, encouraged and nurtured. We have to have faith in our people and confidence in our future.

Let us not chase phantoms but march ahead with determined steps taking every section of the society along in the path towards progress. Indian industry and business have a proud record of achievement. Let it not be underestimated nor should we—the businessmen—criticise, for the sake of criticism, the public sector. It has also its points, good and bad. The good ones should by strengthened and the bad ones eliminated through a constant search of pragmatic solutions, technical and managerial cooperation with a view to improving overall performance. Let us then dedicate ourselves to this mighty and patriotic task of building our nation on sound democratic principles where there is opportunity for all and hope of a better life.

Eastern Economist 30 Years Ago

MAY 6, 1949

With the submission of reports by the three consultants—Messrs Koppers and Company, and Arthur G. Mckee and Company of the United States, and the International Construction Company of the United Kingdom—whom the Government of India had commissioned to carry out a preliminary technical survey, post-war planning for steel now enters a decisive and, we hope, an active stage. The broad lines on which this planning will proceed have been known for some time. The Industrial Policy statement has decreed that the State will be exclusively responsible for the establishment of new undertakings in the iron and steel industry. It has also been publicised that Government proposes to instal new capacity to the extent of one million tons and that the consultants would be asked more specifically to advise on alternative schemes for production in one unit or in two equal units and to report o the most suitable site or sites for the location o the plant or plants.

It is both interesting and satisfactory to not that the consultants have chosen to belie th adage which attributes to experts an inability t agree among themselves. Both Messrs. Kopper and the International Construction Compan have strongly favoured the establishment of tw plants each of 500,000-tons capacity rather tha a single plant of one million-ton capacity an since one is an American firm and the othe British, the verdict may claim trans-Atlantic, not global, authority. The third consultan Messrs. Arthur G. Mckee, have not expressed preference, but have contented themselves wi submitting plans for both schemes.

Planning investment in fisheries sector

M. Zaki Azam

The author, who is the project manager, Fisheries and Livestock Division of the Asian Development Bank, stresses that for the development of fisheries, private sector should continue to play a major role while infrastructure facilities should be the major responsibility of the public sector agencies. Funding of investment, says the author, should come from multilateral financing institutions. Joint ventures can play a very useful role in marketing and management of fisheries. This article is a follow-up of the author's article "A Practical Approach to Fisheries Development" which appeared in the December 24, 1976 issue of this journal.

THE MAIN objective of this article is to present in brief the major lessons of experience concerning fisheries development in Asia and the South Pacific and put a focus on the direction of planning of investment in the fisheries sector. The observations given in this article are based on Asian experience. However, it can be said without fear of contradiction that experiences in other developing regions with some shades of variations to suit local conditions bear striking similarities if considered in a global framework.

From planning and investment point of view, the Asian experience can be broadly classified into three distinct timeframes.

The first timeframe relates to the period from 1945 to 1955. In Asia, this period may be called a period of political awakening and independence. The cut-off period is suggested to be 1955 because it was that year when Asia for the first time became an importer of food. Major experiences during 1945-55 were: (i) little or practically no planning and development in fisheries; (ii) by and large, governments remain indifferent or uninterested. Whatever little development took place in the fisheries sector, it came primarily through private sector in a very peacemeal and patchy manner; (iii) acute lack of foreign capital and technical know-how and extremely inadequate allocation of domestic funds; (iv) non-availability of institutional credit both domestic as well as international or regional; and (v) lack of knowledge of potential fisheries resources. The overall effect was that fisheries development was very sluggish.

The second timeframe relates to a period between 1955-1970. This period can be called a period of growing awareness of the importance of the fisheries sector. This can also be called a period of break-through and adjustment particularly the importance of the fisheries sector was realized and reflected in the development plans and programme of several developing member countries as a priority sector. Allocation of funds for fisheries development in the plan, although inadequate, was made. During this period, still the major development efforts came from private sector although in an uncoordinated manner. As a result, in some areas, in Asia, over fishing took place and some of the subsectors were over-capitalized and over-invested. This period therefore is a period of unbalanced growth although the phase of development was faster than in the previous timeframe.

era of planning

The third timeframe is the period from 1970-onward. This period may be called an era of coordinated planned efforts. In many developing countries, gains from fisheries sector were consolidated and high priority which was due to fisheries sector was accorded in the national development plans. Some countries in Asia even adopted a four or five year integrated fisheries development plan. The major factor during this period has been the emergence or change in the legal regime of the sea. Several developing countries made a declaration of 200-mile Economic Zone as a result of which they became owners of vast fisheries resources and other natural resources. A second characteristic of this period is increasing availability of investment funds and technical knowhow on bilateral and multilateral basis. Domestic resource mobilization took place in a substantial manner and institutional credit was no longer a constraint to fisheries development. The overall effect was that in a planned manner, Asian countries achieved satisfactory growth rate in the fisheries sector which ranged from 2.5 per cent during this period.

current position

Let us now see where the developing countries in the Asian and South Pacific regions stand today from fisheries point of view. In this context, we find:

(i) Some countries have adopted four or five year fisheries development plan;

(ii) The sporadic efforts of the fifties and mid-sixties almost stopped—all fisheries development efforts properly coordinated;

(iii) Increasing allocation to fisheries made from domestic resources and provision of institutional credit;

(iv) Increasing availability of capital resources from international and regional banks;

(v) Annual development plan and resource allocation;

(vi) Increasing availability of funds under joint ventures, and bilateral financing, export credit; and

(vii) Wider usage of micro-planning and macro-planning.

In conclusion, it can be said that the problem is not of insufficiency of funds and technical knowhow but of insufficiency of economic viable projects—coupled with problems of averall management, choice and application of appropriate technology and above all lack of marketing infrastructure.

With the above background in mind, the question arises where do we go from here—what should be the directions—the objectives and areas of emphasis for investment planning. As a result of the changes in the legal regime of the sea, many developing countries are now being presented with greater opportunities, and heavier responsibilities, for the optimum use of the resources within their extended zones of jurisdiction. Coincidentally, they are faced with the issues of how best to improve shore-based facilities, to reduce waste and to benefit from more efficient post-harvest technologies. The task of identifying the problems, of deciding upon the necessary action and of funding the means of such actions will necessitate even greater cooperation between developing and developed countries, established fishing industries and the various development support agencies. In this context, it is deemed appropriate to discuss the important aspects of (i) micro-planning, (ii) macro-planning and (iii) macro-geographic planning.

micro approach

For sustained fisheries development in the develaping regions, the micro-planning approach would need to continue. As the micro-planning approach is essentially a project-oriented approach and involves investment in a carefully planned manner, all important aspects concerned with project cycle such as the identification of projects, the preparation of viable projects, the financing of projects by bilateral or multilateral development financing agencies, the appraisal of projects based on sound investment criteria, the implementation of projects and consequently their operation will continue to draw specific attention. Funds for such project identification and preparation either in the form of technical assistance, grants or loans would need to be provided on a continuous basis. In this respect, the need for consulting service will increase. Although major portion of such consulting services will come from the developed world, the need to blend regional or national expertise with foreign consultancy is recognised and should be encouraged.

In the micro-planning efforts for investment in the fisheries sector and in undertaking detailed feasibility exercises, the following overriding considerations or broad guidelines deserve special mention (i) for whom we are preparing the project—who are the beneficiaries or the target group. It is a matter of major policy of the developing countries that we primarily aim at the small scale fisheries, or the artisanal fishermen. In the Asian developing region, the small fishermen would be the target group. Hence, the thrust of micro-planning would be this segment of the population. (ii) The second question is why we do this planning at all—should we make the rich richer and the poor poorer ?—in other words the question of income distribution or social equity. Fisheries planner must take into account the question of income distribution and project preparation and investment financing must take into full account this project. (iii) Thirdly, while the fish production aspect must remain with small fishermen, the infrastructure support in the shape of landing sites, fish wharves, feeder roads must continue to come from the government. The production, processing and marketing in most of the cases would remain with the private sector. In such a planning process, the role to be played by medium and large scale fishing companies need not be disturbed or reduced and the availability of commercial credit for them must be ensured, and lastly, (iv) the choice and application of low cost technology is very important. It would be useful that in preparing projects for a domestic consumption, we just improve the existing processing technology in the country. In export-oriented projects, the provision of refrigeration facilities, sophisticated technology and quality control must be provided.

macro-planning

In this respect, it may be pointed out that several countries have adopted macro-planning which is essentially a sector approach. Integrated fisheries development plans or programmes covering a timeframe of 4 or 5 years have been prepared in addition to national economic development plans. In years to come, the significance for national macro-planning will continue on an increasing scale, particularly because of availability of large potential resources as a result of the 200-mile Economic Zone, which calls for a pragmatic and outward looking strategy. National fisheries planners must take into account the following points when they undertake the sector study approach.

(i) Macro-planning must be dovetailed with environmental planning and pollution control. They must avoid the mistake that other countries including some developed countries committed in the past;

(ii) Resource management—continuous updating of resource data and information is needed. An increasing role by FAO is foreseen in resource assessment and management;

(iii) Research, training and fisheries education have been neglected in the past and need to be highlighted.

economic zone concept

The need for macro-geographic planning stems primarily from the Economic Zone consideration, which has altered the fisheries world situation substantially. As considerable potential resources have been placed at the disposal of developing countries, the possibility of external diseconomies to others cannot be ruled out. The world has never been in greater need for a geographic macro-planning than now and required larger bilateral regional and international understanding and cooperation than today.

Macro-geographic planning calls for an outward looking strategy which must take into account the following:

(i) an equitable internal division of labour;

(ii) harmonization of fisheries development plans or programmes;

(iii) a bilateral approach—between developing countries or developing and developed countries;

(iv) a sub-regional or regional understanding and cooperation; and

(v) ultimately a framework based on international cooperation and understanding.

The diffiulties of achieving such a goal and adopting such a strategy are apparent. However, given the political will and the need to share economic benefits, they are not as difficult as they appear to be.

A number of attempts have been made

to estimate long-term investments potentially required on a worldwide basis to expand the fisheries of the developing countries so that foreseeable future demands for fish and fishery products can efficiently and economically be satisfied. Work done in the late 1960's for FAO's Indicative World Plan for Agriculture indicated the possibility of investment needs for vessels, fishing harbors and processing and preservation facilities of the rough order of US$3,750 million over the period 1975-85 alone; a later study covering a much longer time-span and based upon an eventual fish production target of 130 million p.a., estimated that (very approximately) some US$30,000 million would be required for investment in vessels, harbours, processing plants for the reduction of waste and post-harvest losses, in the training of key manpower and in aquaculture installations.

While it may be argued that such attempts at global quantification are of dubious validity and of doubtful utility, there is certainly no disagreement that, at the national level, the need for accurate identification and proper assessment of investment needs is of paramount importance in any plan for fishery development. It is indeed increasingly recognized that one of the major difficulties encountered in the promotion and execution of development programmes is in the adequate preparation of investment projects.

transfer of technology

Moreover, it is evident that, whatever the problems involved in quantifying, within reasonable limits of accuracy, likely investment needs, much still needs to be done to improve the effectiveness—at the practical level—of the transfer of technology as, in many instances, such attempts at development cooperation have signally failed to produce the hoped-for impact on fishery industries in developing countries.

In the light of existing fishery resource potentials and demand projections, the FAO has estimated that the total fisheries investment requirement for the Bank's DMCs is approximately US$10 billion (in 1979 dollars) for the next decade. Of this total, about one-third should be invested in aquaculture and the balance in the marine fisheries subsector.

In sharp contrast to earlier decades, fisheries development in the seventies continues to be accorded high priority in national economic development plans of the developing countries. In several countries integrated fisheries development plans and programmes have been adopted. For the development of the fisheries sector, private sector would continue to play major and significant role particularly in the direction of fish catching and marketing involving mechanization of fishing vessels, installation of onshore facilities including processing facilities. Infrastructure facilities such as construction of fishing wharves, feeder roads and others would continue to be the major responsibility of the public sector agencies.

steady allocation of funds

The allocations of funds for fisheries development have increased, albeit slowly, with a sharp increase from mid-seventies onward and are projected to increase substantially in the foreseeable future. By and large, the mobilization and allocation of domestic resources has kept pace with increased flow of funds from bilateral sources and multilateral development financing institutions.

Although changes in the legal regime of the sea have provided considerable potential fisheries resources at the disposal of the developing regions and their opportunities to chart out a definite course of action for fisheries development has increased, such efforts are not foreseen to be carried out in strict isolation. Their increased responsibilities call for an outward looking and pragmatic strategy for fisheries development. Such an outward looking strategy in the future will have to take into account a more equitable distribution of benefits from the exploitation of fisheries resources, based on subregional, regional and international cooperation. While micro-planning techniques and project oriented approach to development would need to continue, greater attention is needed to be devoted to macro-planning, sector approach and more importantly to macro-geographic planning and harmonization of fisheries development efforts among the fishing nations.

funding of investment

Recognizing the need for international collaboration and harmonization of development and commercial interests, the funding of investment on an increasing scale will come primarily from multilateral development financing institutions and bilateral sources, private investment and joint ventures. The largest chunk of funding requirement would have to come from multilateral development financing institutions because of social criteria and priorities. This does not mean that economic and commercial criteria would have a lesser consideration. As a matter of fact, such criteria will continue to play overriding consideration even for funding of projects with strong social orientation. In this context, a balanced tie-up in terms of co-financing or parallel financing of projects from bilateral sources, export credit and participating companies is needed.

Bilateral assistance, particularly in the form of export financing to the fisheries sector would also continue to be a major source of funding of investment. Essentially, bilateral assistance has to continue within a project approach or within the broad guide-lines laid down in the investment schedules. The possibility of joint financing or parallel financing with international or regional development banks is promising and needs to be fully explored. The need is to make further concerted efforts in this direction as it would be mutually beneficial to the partners concerned.

The funding of investment through joint ventures has been successfully carried out in a number of cases. With the altered situation arising out of the 200 mile-Economic Zone, there is an apparent need to step up joint ventures efforts. There also exists the possibility of joint ventures in co-financing projects, prepared for financing by multilateral development financing agencies. Joint Ventures can also play a very useful role in marketing of project produce or management of fisheries enterprises financed by development banks, in countries where marketing and management skills are lacking.

The need for effective aid coordination is also necessary to avoid duplication and overlapping. In this context, it was felt that in some of the recipient countries the aid-coordination mechanism needed to be strengthened. There is a greater need to disseminate information and data on flow of funds from all sources on global basis to interested parties and some mechanism should be devised to achieve this purpose.

Risk areas in financing small-scale units

K. Chandrasekhar

The author here dilates upon the hurdles that a small-scale unit has to cross in its working. In recent years internal firm management has become complex with the requirements of elaborate accounting. This problem is intermixed with other weaknesses such as poor planning, outmoded technology, ineffective marketing and bad product policy.

ACCORDING TO the new industrial policy of the government, the main thrust will be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns.[1] In a developing economy like ours, small-scale industries and small enterprises have a place of priority as they are capable of providing employment opportunities with a relatively lower capital investment. The labour-absorbing capacity of small-scale units is seen from the fact that in the small-scale sector, an investment of Rs 1 lakh employs 27 persons whereas the same amount of investment offers employment for only 5 persons in the large-scale sector. The ratio of output to investment in the small-scale sector is also favourable: almost three times the corresponding ratio in the large-scale sector. With wider geographical diffusion of enterprises, they enable more effective utilisation of local resources, manpower and skills and thereby help reduce different types of disparities—social, economic and regional—and establish a progressive economy.

The growing importance of small industries in our economy is evident from the increase in their production which constituted as much as 40 per cent of the total private sector production in 1975. The table alongside gives an idea about the growth of small-scale industries in production, exports and number of registered units during 1975 and 1976.[2] This growth has been facilitated by the promotional measures initiated by the government, the increasing support extended to this sector by financial institutions and the progress in research and technology achieved by our young scientists and entrepreneurs.

the main objective

Modern small-scale industries are defined as those having investment of up to Rs 10 lakhs in plant and machinery and Rs 15 lakhs in the case of ancillary industries. Small scale industries are estimated to provide full-time employment to about 28 lakh persons.[3] The main objectives of the programmes for the development of these industries during the past developmental plans were to create large-scale employment opportunities, promote decentralisation and dispersal of industries, develop ancillary industries and step up the production of consumer goods and essential commodities for the masses and of those industries which have a large potential for exports. In a decentralised economy, it is assumed that production and consumption would proceed simultaneously and there would be a balance between the two. To achieve these objectives, the earlier Plans envisaged formulation of common production programmes for the small and large sectors, promotion of entrepreneurship, etc.

Selected Data on Small-scale Units

(Rs in crores)

Items	1975	1976
Production	4,932.00	6,700.00
Exports	537.90	1,000.00
Number of registered units	220,000	260,000

However, the recent census of small-scale industries reveals some disquieting aspects of this sector. The share of small-scale sector, excluding household industries, fell from 19.5 per cent of the income arising from all industrial production in 1968 to 16 per cent in 1976.[4] The rate of mortality and sickness among small units causes concern to all those interested in the healthy growth of this sector. This trend has to be arrested and reversed by a vigorous programme of promotion of small-scale units. An outlay of Rs 545 crores in the public sector has been provided in the current Plan for the small-scale sector. This outlay will be supplemented by institutional finance as well as private investment.

IDBI's effort

The Industrial Development Bank of India (IDBI), has taken steps to set up a separate wing to deal exclusively with the credit requirements of the cottage and small industries sector. It will co-ordinate, guide and monitor the entire range of credit facilities offered by other financial institutions for the sector, for whom separate wings will be set up in these institutions, particularly public sector banks. The banks are to earmark a specified proportion of their total advances for promotion of these industries. The policy of the government is that no worthwhile scheme for these industries is to be given up for want of credit.[5] Financing small-scale units has been given top priority in the credit policy of banks and the following considerations have prompted the government and the Reserve Bauk of India to adopt this credit policy.[6]

(a) Banks are the largest repositories of financial resources. Small-scale industries sector (SSI) has been assigned prime importance in our planning, and hence an increasing amount of bank credit must flow into this sector.

(b) Banks have the largest network of branches spread throughout the country. This enables the banking system to meet the financial requirements of the SSI sector which has a high potential in our semi-urban and urban areas.

(c) Banks enjoy services of educated and experienced officers and staff. The bank personnel are also better experienced in the art of lending and public relations. Compared to the personnel of any other commercial or government institutions, bankmen are in a better position to look after this new but expanding and promising field of business.

(d) Banks are also in a position to meet the cost of developmental efforts in this enterprising field because of better personnel and large amounts of funds under their command.

challenging task

Our banking system has already accepted this challenging task of financing small-scale industries and has shown willingness to play a leading role. Bank advances to this sector have increased from Rs 286 crores in July 1969 to Rs 1420 crores in April 1977. At the same time, financing of small-scale units is considered by banks as relatively riskier and least profitable. The risks of financing small-scale units arise mainly because of the following characteristics of these units:

These units are generally managed by one man, the proprietor himself. At the most, the members of his family assist him. In a fewer cases, the units are organised on a partnership basis. The future of the business thus depends on the entrepreneurial talents of a single man or at the most, a family.

The ability of these industrial units to raise funds, especially through the organised capital market, is limited. Their external sources of finance are usually friends and relatives, money lenders and short term financial institutions like commercial banks. The small-scale industries are thus unable to secure necessary financial assistance especially long-term capital at the right time for fixed assets.

vulnerable to crises

Small business enterprises are particularly vulnerable to any crisis whether financial, commercial or technical. The promoters being people with small means their capacity to survive during difficult and adverse times is poor. Inflation and shortages of raw materials, power, etc hit small operators hardest. Small business suffers most in periods of business decline. Large companies have the financial strength to command capital availability at more favourable rates. Also, by spreading risk through diversification process, they are less vulnerable to adverse environmental change. Perhaps, more importantly large firms can employ specialists to deal with each externally induced problem area.

The complexities of owning and managing a firm have greatly increased during the past ten to fifteen years. Several factors account for this change. The tremendous growth of consumer demand, both in terms of people and economic buying power, has acted as a positive catalyst for new ventures and for expansion of existing areas. This has led to a dramatic increase in the intensity of competition between all types of business.

The growth of the economy has also been accompanied by disproportionate increase in the "power" of large and medium units. Small units not only have to compete against other small units but also against very aggressive large ones. The small-scale industry possesses poor competitive strength in the major product market as compared to the large-scale industries. Most of the small-scale industrial units do not have marketing techniques or facilities and their products do not have an assured market. The small-scale industrialists must develop and implement a marketing plan or strategy which will most efficiently achieve the goals of the firm.

Consumers and their associations have been demanding government protection from various forms of deception, shoddy merchandise and improper credit management. Maintaining awareness of the large number of governmental laws, regulations and policies is difficult enough; to comply with them can be frustrating, difficult, time consuming and expensive. In fact, this is becoming a basic problem. As a result, attention of the small industry sector is being diverted from basic management, marketing and finance problems to determine how to comply legally with a wide range of provisions of various acts and statutes. Studies have also shown that most entrepreneurs are ignorant of tax matters, both income and sales taxes. This could be dangerous especially when the tax authorities wake up later and sometimes are instrumental in the entrepreneur losing the unit and personal property.

inefficient accounting

Small businesses do not maintain suitable books of accounts and other records. They do not find it convenient or just do not have the necessary facilities. This makes it difficult for bankers to gather relevant data for arriving at credit decisions and for evaluating them.

In recent years, internal firm management has become more complex. Accounting procedures, rules and regulations, for example, demand that small-scale units today have a chartered accountant or an experienced accountant review their systems and draw up income statements, balance sheets, and other pertinent data needed by management. Similarly, the small-scale industrialist must pay close attention to the availability of financial resources, cash flow, inventory and cost control, production planning and all aspects of personnel administration.

The financial problems of a small business enterprise are rarely only financial. Many a time this may be only a symptom of other weaknesses such as poor planning, outmoded technology, ineffective marketing, bad product policy, lack of management control, etc. Managerial incompetence is considered to be the primary cause of failure among new small-scale industries. Since most important decisions have their financial implications, this becomes highly risky, thereby necessitating a comprehensive programme of financial assistance and management consultancy.

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Theory and practice of taxation in ancient India

A.K. Jain & P. K. Bhargava

The authors who are connected with the Department of Economics, Banaras Hindu University, have described the tax system as it existed in our country in ancient times. A number of criteria that are applied in modern times in the sphere of taxation, they say, also existed in practice in ancient India. They conclude that the modern tax system has not been built up entirely on new ideas but has roots in ancient fiscal ideas.

SINCE THE advent of the Keynesian revolution the state plays an increasingly important role and it has to take care of the overall welfare of it people. Such an idea about the state is, however, not entirely new. The fact that the state has to play a positively constructive role is found in the writings of ancient Indian jurists and scholars. In ancient India the state was considered as an economic and political necessity and the authority of the state was reflected in the Institution of kingship. A situation of statelessness was visualized in ancient India which great horror.

The epics emphasize the blessings of monarchy and the miseries of anarchy: "As fishes in shallow water and birds in the air would engage in incessant quarrels and perish, so could the people die without a king. They would sink in utter darkness like cattle without herdsman if there was no king to afford protection. The sense of mine and thine (i.e. the idea of property) would cease to exist and neither the wife, nor the child nor wealth could be possessed. Everywhere there could be theft. There will neither be disapproval of adultry nor legitimate pursuits like agriculture and trade . . . marriage and happy gathering of people will cease."[1] Thus, the king was required to maintain not only peace and order but had to discharge other duties also. In fact, the king himself was personally responsible for all the sins and misfortunes of his people. The life of the king was a dedicated one and he had to perform all his duties according to the prescribed rules of *Dharma.* He was to live not for himself but for his subjects. The happiness of his subjects was his own happiness and he was expected to act not according to what pleased him but whatever pleased his subjects. Thus, the king was to work only for the welfare of his people. The king was to behave like the sun which extracts water only to be returned thousand fold in the form of rain. Similarly, the king was expected to collect taxes from the people to shower benefits on them.

In order that he could perform his duties up to the expectationr of his subjects and provide them the necessary protection they had to pay the dues of the king in the form of taxes and duties, Thus, the right to levy taxes and the duty to pay taxes were purely conditional and both the processes were based on the discharge of duties by the king. In this regard the modern concept of 'tax' differs from that of the early period in as much as a tax at present is considered as compulsory levy while in the early period it was conditional. However, the quantum of taxes to be raised from the public did not depend on the whims and desire of the king but even in this sphere he had to act according to *Dharma or Nitishastra* The taxes were to be collected in a manne which did not impose unduly heavy burden on the people. It has been stated in *Sukra Nitisara* that if a king collected revenue by imposing excessive sacrifies on its people he is likely to endanger his own kingdom.[2] However, it is reported in epigraphs that the king used to collect revenue from taxes according to the prescribed rules of *Dharma.*[3]

just principles

In modern times, there is unanimity among economists that taxes should be levied in a manner that the burden on the community as a whole is minimised and that the taxes are to be levied in an equitable manner. Although the principle of least aggregate sacrifice is not traceable in ancient Indian writings in the same manner in which we study today, yet the king in ancient India was expected not to violate the principles of just taxation The limits in taxation were prescribed and the king was required to determine how much to tax and when to tax with the aid of his financial ministers. The more efficiently the king could perform this function, the more would be the chances of his success in financial matters. Taxation was regarded as a policy and the king must act very wisely. Even today it is emphasized that taxation policy must be tailored judiciously and efficiently Mrs Ursula K. Hicks has rightly emphasized that "Tax bankruptcy was an important contributory factor to the fall of Roman empire. Unjust and inefficient taxes set the French Revolution aflame An important part of the explanation o

Germany's failure in the war of 1914-18 was her antiquated tax structure . . . inefficient taxes helped to lose Britain the American colonies."[4]

Colbert also rightly observed that "The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least possible amount of hissing." Similarly, the king in ancient India was expected to extract little by little from a prosperous subject. The demand for tax should be gradually raised till it reaches a fair amount. The king should never impose a tax in a bad form and on persons who cannot pay them. Rather, he should impose taxes at a proper time and in a proper form. The king was expected to behave like a tigress who takes her cubs with her teeth but does not bite them. The same idea is stated in *Sukraniti Sara* where the king has been compared with a gardner. Just as a gardner only pluck the fruits and flowers from a tree and does not cut the tree, similarly the king should collect revenue without endengering the source of revenue.

collecting ripe fruit

Manu has emphasized that the king should follow such a policy in the collection of tax revenue that the tax-payers continue to be engaged in their activities. Manu emphasizes that too much of taxes destroy the incentive and the willingness to earn income.[5] Kautilya went a step further. He emphasized in his *Arthasastra* that the king should act like a gardner who should collect the ripe fruits only and collection of fruits or revenue when unripe should never be made as it might injure the source and cause immense troubles. Therefore, the taxes should form a part of the surplus enjoyed by the producer leaving behind that portion of the revenues which would enable him to live. The limit of taxation was, therefore, the producer's surplus and the taxes were to be paid from the return of capital and not the capital itself. It was also appreciated that the production of wealth should not be adversely affected as that would reduce the revenue of the state. It was, therefore, clearly understood in ancient times that over-taxation would lead to impoverishment of people resulting in their low tax paying capacity. The idea was that taxes should remain within limits.

In the event of a financial crisis or emergency, Kautilya emhasized that new sources of revenue must be devised such as arousing the religious sentiments of the people whereby they may be inspired to donate generously. If these efforts did not result into adequate revenue the king could think of levying new taxes but this could be done only after due notification of the royal intention stating the causes which created such a necessity. If the people agreed to it only then the king could levy new taxes.

reasonable levy

This also goes to prove that the taxes had to be within limits and the additional amount of revenue could be raised only with the constent of the people. In this regard the situation in ancient India was more satisfactory than at present since major changes in tax rates and laws are carried out by the government without a careful survey of their total effect.

Equity in taxation demands that the person whose ability to pay is relatively greater should be made to contribute relatively more than those whose ability to pay is relatively less. At present income is regarded as the most appropriate index of ability to pay. The situation in this regard in ancient India was still more advanced. The criterion of taxability in ancient India was the potential capacity of an individual to earn an income and not the possession of an income. Everyone capable of doing work was to be taxed. Under the modern system of taxation those who do not work go tax-free though they may be capable of doing work. However, in ancient India such people could not escape the tax net as they were compelled to earn to pay their tax dues. If the people could not pay their taxes in cash or kind, the state levied compulsory labour tax on them. This arrangement reduced the social burden and taxes had to be paid by all persons irrespective of the fact whether they had income/property or not.

The principle of ability to pay leads to some kind of progressive taxation and traces of it are found in ancient Indian writings. Manu says that "To make the burden of taxes equal, it should be made to press with equal severity upon every individual.

This is not effected by a mere numerical proportion. The man who is taxed to the amount of one-tenth of an income of 100 rupees per annum is taxed far more severely than the man who is taxed an equal proportion of an income of 1000 rupees."[6] It is thus clear that the idea of progressive taxation did exist in ancient India. Modern researches have improved upon Manu and have tried to give a theoretical proof of the validito of progressive taxation.

In addition to the criterion of ability to pay, the tax system in ancient India fulfilled the criteria of certainty, convenience, economy and revenue productivity. In order to ensure the element of certainty in tax system, data regarding population, vital statistics and holdings were collected regularly and not periodically so that the tax liability could be ascertained with relatively greater accuracy.

collection of data

Kautilya has elaborated that "the officer-in-charge of village (*Gopa*), the district officer (*Sthanika*) and the city officer were all required to maintain accurate statistics of the people and property of the area under their charge. In order to have an accurate data in respect of the valuation and assessment of people's wealth, the collector general (*Samaharta*) was to get the house numbered, inhabitants and also the cattle and livestock enumerated, lands measured and classified and get all these recorded in the royal registeres according to the type of land, such as, arable land, pasture, garden etc., in order that correct data about the valuation of all assets including men and material could be made readily available."[7]

As already pointed out, the king paid much attention to the convenience of the tax-payers at the time of assessment and collection of taxes. At the time of assessment it was expected that the tax assessor would keep the convenience of the tax-payer in mind. It is for this reason that in the Mauryan administration more importance was attached to assessment and it was rightly emphasized by Kautilya that "The harm done to the state by the *Samaharta* the highest officer-in-charge of the assessment, is thought to be more serious than that caused by *Sannidhata*, the chief custodian of the state treasury and storehouse".[8] The revenue officials had to keep the convenience of the tax payers in mind even at the time of collecting reveaue. It is clearly mentioned in Kautilya's *Arthasastra* that if an officer overcollected tbe amount due to the king, he was to be punished for he was eating into the vitality of the people. Similarly, it was prescribed that the land tax was not to be collected if the harvest did not have sufficient margin out of which tax could be paid.[9]

Economy was also an important criterion for collection of taxes in ancient India. A reference to this is found in Kautilya's *Arthasastra.* Kautilya emphasized that an intelligent collector-general should collect revenue in such a way that revenue is increased and expenditure is reduced. The effort of the tax collectors should be to minimise the cost of collection because "If a major portion of the tax is consumed in collecting that tax, there cannot be any point in its imposition, it almost loses its justification."[10]

important consideration

Productivity was an important consideration in the selection of taxes in ancient India. As agriculture was the most important source of wealth, land tax occupied the most important place in the tax structure. There was a combination of both direct and indirect taxes but more emphasis was laid on direct taxes. In Kautilya's *Arthasastra* there is reference to a number of other sources of revenue which conform to modern sources of revenue such as income from licence fees, weights and measures, salt tax, poll tax, road cess, sales tax, income tax, trade tax, customs duties, excise duties, etc. Thus, the tax structure was broadbased and most people had to pay some tax. In fact, "The list of taxes and imposts in the *Arthasastra* is impressive, and if these were really collected they must have proved oppressive".[11] However, as has already been pointed out, the king was not allowed to fill his treasury by acting unfairly or against *Dharma* and the theory of producer's surplus was the chief guiding principle. The king was to collect taxes in such a manner as the calf was to be allowed to suck so that it could become strong.

important levies

The two most important taxes in the tax structure in ancient India were land revenue and customs. Most ancient Indian jurists prescribed in general one-sixth portion of the produce of land as tax. Since land tax was related to the produce and not the size of land, the system imparted elasticity in the tax system. Land was classified according to its nature and ownership and better types of land had to pay relatively more tax. Since taxes were related to ability to pay, relatively better off people had to pay more. The rates of custom duty were *ad-valorem* and varied from 2 per cent to 20 per cent depending upon the nature of the commodities. It is mentioned in Kautilya's *Arthasastra* that the rate of four to five per cent was charged on cloth, thread, grain, medicine, etc., seven to 10 per cent on silk products, chemicals, carpets, ivory, etc.; at the rate of 16$\frac{3}{4}$ per cent on flowers, fruits, dried fruits and meat, and at the rate of 20 per cent on imported luxury goods. To ensure certainty in revenue, the rates of various types of taxes were prescribed once for all. Payment of taxes could be made both in cash and kind. They could be paid either in gold or coins or in the form of cattle, grains and raw materials. Only fresh and quality grains were accepted and were measured according to the royal standards. Collection of taxes in kind provided a cushion against rising prices.

Another important characteristic of the taxation system in ancient India was the provisions for tax incentives. In modern times the technique of allowing tax incentives has been widely used only after World War II.[12] However, a reference to this technique of encouraging people to start new and risky enterprises is found in ancient India in the writings of Kautilya who emphasised that "in the case of construction of new works, suc as tanks, lakes, etc., taxes (on the lanc below such tanks) shall be remitted fc five years (*panchavarshikah parihara*). Fc repairing neglected or ruined works c similar nature, taxes shall be remitted fc four years. For improving or extendin or restoring water works overgrown wit weeds, taxes shall be remitted for thre years. In the case of acquiring such new ly started works by mortgage or purchase taxes on the lands below such works sha be remitted for two years. If uncultivate tracts are acquired (for cultivation) b mortage, purchase or in any other way remission for taxes shall be for tw years."[13]

In view of what has been stated above it is amply clear that a number of cri teria that are applied in modern times i the sphere of taxation did also exist i practice in ancient India. The tax struc ture was so broadbased that most of th people were covered within the tax ne One can, therefore, easily conclude tha the modern system of taxation has no been built up entirely on new ideas bu it has, in fact, its root in ancient fisca ideas.

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MOVING FINGER

To be frank, few expected Mr Jayaprakash Narayan to get over the recent crisis in his physical condition, especially after the British surgeon, who had been called in for consultation, had disclosed publicly what the attendant doctors already knew, which was that there were the "beginnings of evidence of the failure of the liver". That he has been able to leave the Jaslok hospital and is now convalescing at the hospitable Express Towers of Mr Ramnath Goenka is of course a matter for rejoicing. It is, however, difficult to respect the mentality of certain Janata politicians who would not let him alone, but must drag him into the quagmire of their Janata politics without even letting days lapse. The behaviour of the Janata party president, Mr Chandra Shekhar, has been particularly objectionable. He not only tried to turn JP's stay in the emergency ward of Jaslok hospital and the accompanying incidents into a political event, but also openly attempted to capitalize on it for his factional purposes. Right now he and a few more Janata politicians are leaving no stone unturned to persuade or even pressurise JP to interest himself actively in the organizational problems of the Janata party.

The newspapers, predictably, are not loathe to join the game. On April 27 they featured a report that JP wept on the previous day when Mr Shanta Kumar told him about the state of affairs in the Janata party. I hope JP also had some tears to spare for the poverty of spirit of the chief minister of Himachal Pradesh, who, obviously, cannot look after himself and must therefore pester a very aged and ailing man with his political problems. It is indeed contemptible that Janata leaders, who are supposed to rule in the states or who aspire to rule the country, should advertise their helplessness in this manner. In this respect, the three senior leaders of the Janata party—in particular Mr Morarji Desai—have set an example which must shame the schemers and other small men in the ruling party. Even at the risk of being misunderstood by the public and in spite of the fact that his detractors within his own party have lost no opportunity of misrepresenting his words or actions in this context, the prime minister has generally desisted from involving JP in Janata controversies.

Surely it is high time that JP had been allowed to withdraw from involvement even in national politics let alone the squabbles in the Janata party. The man has done more in and for public life than could be expected of anyone and he is entitled to an evening of tranquillity. In fact those who care for him and wish him well should encourage him to stop worrying about the political problems of this country at this time of his life. Not long ago, some time before his recent illness, JP had a brief talk with Mr G.D. Birla who was paying him a courtesy call. When JP expressed his unhappiness with the political situation, Mr Birla suggested that this country had shown a certain capacity for survival and even evolution in the right direction and that it could therefore be trusted to save itself, however acute our current anxieties might be. Mr Birla's gentle advice was that JP should look after his health and not let politics worry him.

From trying to unscramble the Tata and Birla "empires" Mr George Fernandes has progressed towards probing the business ramifications of 13 families in Sivakasi which are alleged to dominate the small-scale sector in the match industry. Out of the country's production of safety matches 30 per cent is accounted for by WIMCO's machine-made output, while the remaining 70 per cent comes from the non-mechanised units constituting the decentralized part of the industry, with the tiny sector contributing 15 per cent and the small-scale sector contributing 55 per cent. Mr Fernandes has committed himself to step up the share of the tiny sector through the agency of the Khadi and Village Industries Commission and the allegation that the Sivakasi families are ruling the decentralized sector have naturally given him sufficient provocation for considering an offensive. Meanwhile the budget levies seem to have hit not only WIMCO but also the small-scale sector, the intended beneficiary being the tiny sector.

It is of course no concern of Mr Fernandes that the quality of production in the tiny sector is outrageously poor. It is not only there is a high proportion of duds in these match boxes but there is also a serious safety hazard since the matchsticks invariably break or splinter when an attempt is made to light them. Again it is not amusing for the house-wives to find that there is now a mushroom growth of units in the tiny sector in such unlikely areas as Delhi and Haryana, leading to the dumping of a very inferior product on the market. Meanwhile it is becoming obvious that the Khadi and Village Industries Commission just does not have a clue to the efficient retailing of an article which should obviously be available at numerous selling points in towns and villages. Indeed the absurdity of the marketing situation in which the commission finds itself has been strikingly brought out by its taking expensive advertisement space on the front page of leading newspapers (including the English languages papers) for informing the public that the safety matches marketed by it are available at "respectable" grocery shops and *pan* shops. Thus the housewife is now burdened with the additional chores of exploring for "respectable" sellers of safety matches in her neighbourhood. It must however be conceded that nobody can complain that the Khadi and Village Industries Commission, rediscovered if not reinvented by Mr George Fernandes, is nobly resolved to ensure that only retailers of accepted ethical qualifications stock and sell its products, starting with safety matches.

VB

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Third World Countries—Struggle for New Economic Order : Kalyan Dutta; Sterling Publishers Pvt Ltd, New Delhi; Pp 87; Price not given.

Reviewed by **Academicus**

Indian Economic Development—Retrospect and Prospect can be divided into two clear parts as indicated by the title of the book itself. In the first three chapters out of the five that make the book, the author has tried to be retrospective and has made an attempt to record the achievements since the era of planning commenced in the country. The author appears fairly convincing when he states that till about the commencement of the fourth five year Plan, the planners had no clear perception regarding distinction and relationship between plan objectives, approach to planning and plan strategy. Declaration of objectives of planning was a comparatively easy and incontrovertible matter. What was however not realised then was that declaration of intent is one thing and devising an appropriate strategy that would take the country towards the intended goals is another.

That the Mahalanobis model adopted since the second Plan and persisted with a little modification here and there till the Janata government replaced the Congress government at the centre failed to realise the objectives of accelereted growth-rate, raising the level of employment and standard of living of the masses and establishment of some sort of a socialistic pattern of society by reducing extreme inequalities, is quite obvious to the naked eye, whatever its other achievements. The fact that during a quarter century of planning the growth-rate was only around 3 to 3.5 per cent per annum, that per capita (in real terms) increased only at the rate of 1.2 per cent per annum between 1960-76 and at just 0.5 per cent per year during 1970-76, and that according to the latest World Bank report even many of the non-oil producing countries in Africa like Tanzania, Kenya and Ivory Coast showed better results than India with all its vast and varied natural resources and skilled manpower and scientific personnel in respect of which the country is supposed to occupy third place among the nations of the world is a conclusive proof of the failure of that model. While pointing out some of the remarkable achievements of the Mahalanobis strategy (such as development of basic and heavy industries, diversification in the sphere of industrialisation, greater self-reliance in respect of capital goods industries and so on), the author says that after following that strategy the country still retained and glaringly showed most of the characteristics of a backward economy such as predominance of agricultural sector, wide fluctuation in national income, mounting unemployment and under-employment and increasing mass poverty. What is to be noted is that while the author is very critical of the strategy adopted since 1956, he is at the same not blind to the achievements of that strategy, namely laying of firm foundation for future economic growth. But on the whole the strategy adopted failed to realise the objectives.

The author has made his recommendations regarding alternative strategy in chapters 4 and 5, where the suggested strategy has been analysed in fairly great detail. The alternative policy suggested is the one which is a sort of combination of the strategy that is being advocated by the Janata government and the strategy of development through wage-goods being advocated by Dr P.R. Brahmananda.

priority to farming

The author has made an attempt fairly convincingly that since 80 per cent of the people in the country depend upon agriculture, development of the agricultural sector especially of small and marginal farmers, agro-based industries and other rural industries should be given top priority. He has fervently advocated the development and modernisation of these sectors, as that strategy alone by providing employment to vast rural masses would help solve the problem of mass poverty. Incidentaly this would also stop the flow of unemployed rural masses towards cities and towns which in turn create problems of slums, pollution and various urban stresses and strains making city life increasingly hazardous.

It has now become fashionable among many economists and policy-makers to condemn the Mahalanobis model for all the shortfalls and hardships through which India had to go since 1956. Equally true it is that it has also become a sort of intellectual superstition to put all the faith in the alternative strategy of rapid economic development through the development of agriculture and sectors closely allied to the rural economy.

But advocacy of the new alternative strategy raises certain doubts which must first be satisfactorily answered before it is adopted, It would betray a purely negative attitude to take the position that because development through capital-intensive basic and heavy industries has not helped the country to attain the desired objectives, the alternative strategy would automatically ensure their attainment.

Would it be wise and practicable to reverse the strategy followed since 1956 when after the long inevitable gestation period it has started producing long awaited results in the shape of green revolution, food self-sufficiency, self-reliance in respect of vital capital goods, more satisfactory balance of payments position, containment of inflationary pressures in the economy and so on?

unwise policy

Second, when a backward and stagnant economy is struggling to develop itself, would it not be a wise policy to first concentrate on the existing dynamic sector of the economy (urban-based, capital-intensive large-scale capital and consumer goods industries) expecting that dynamic sector to pull up the rest of the economy and thus break the vicious circle of stagnation?

Last, would it be a wise policy for a backward economy to divert major part of extremely limited investible funds into agriculture and allied sectors of the rural economy (where people mostly are illiterate, tradition-bound and apathetic to progress) and expect it to become the lead sector that would subsequently pull the whole economy out of stagnation? With mounting buffer stock of foodgrains, the wage-goods strategy will have to find out some additional arguments than those advanced so far to prove its validity.

Instead of thus wasting our energy over sterile debates such as agriculture versus industry or large-scale industries versus small-scale industries or urban economy versus rural economy and so on, in a country like India with vast and variegated resources, it is the strategy of balanced growth with due emphasis on the dynamic sector of the economy that appears to be the best strategy, taking all things into account.

MINERAL RESOURCES

The programme of exploration and development of our mineral resources has assumed great significance because of the strategic importance of various major and minor minerals in the country's economy. A.K. Madan has in his book *Problems, Progress and Prospects of Mineral Production* made an attempt to take a broad survey of the way various mineral developmental programmes are being executed, various factors that influence minerat production and distribution, and what is more important, the various steps that will have to be taken by the government in future for the satisfactory development of minerals and mines, both in the public and private sectors.

There is no doubt that the various programmes of development conceived under various five year plans and also because of rapidly growing industrial development in the country, production of various major and minor minerals has recorded substantial increase. Thus the total value of minerals was estimated at Rs 1323.8 crores during 1977 as compared with only Rs 140.8 crores in 1958. During 1977, of the total value of mineral production, the share of fuel was over 73 per cent, metallic minerals 15 per cent, and other nonmetalic including minor metals was 12 per cent. After independence the central government has set up for the development of minerals various organisations such as the Oil and Natural Gas Commission, National Coal Development Corporation, National Mineral Development Corporation, National Metallurgical Laboratory, Central Fuel Research Institute and so on, apart from expanding the departments such as the Geological Survey of India, the Indian Bureau of Mines and so on. The state governments have also sponsored their own mining development projects.

According to the author, the basic factors on which the future growth of the mineral industries will depend are: the mineral policy and investment trends, mining legislation and controls, taxation on minerals, size and organisation, mining costs, policy regarding conservation of minerals, extent and speed of mechanisation of various mines in the country, employment policy and labour-management relations, marketing and utilisation of minerals, beneficiation of low grade minerals, pricing policy, transport, storage and port facilities and so on.

The most important part of the book is that wherein the author, in the light of past experience, has made several recommendations on the future policy and programmes regarding the development of various mineral resources in the country.

complicated business

The administration of various control orders issued by both central and state governments through different officials have made mining business, especially in the private sector an extremely complicated affair. Appropriate steps to scrap unnecessary orders and to bring about coordination among the rest are essential for the proper development of mining industries.

With the introduction of a series of structural and organisational changes brought about by the government, the government itself is facing problems in mining industry such as low productivity, high cost of mining, huge pit-head stock accumulation, slow movement of coal, low storage capacity at mines, shortage of wagons, shortage of explosives, labour unrest because of absence of adequate safety measures and so on. The author has suggested that steps will have to be taken quickly, adequately and on continuing basis and in a coordinated manner for the solution of all the above problems. Piecemeal and uncoordinated approach to solve the above problems as at present would only complicate matters further.

According to the mining industry in the private sector, incidence of taxation on minerals is very high and with rising cost of production, margin of profits is declining. Steps therefore, will have to be taken to provide adequate incentives to private mine-owners.

Mining is a potential source of large employment. There is however a felt shortage of skilled workers and technicians, and the conditions of working and living of unskilled workers continue to be unsatisfactory. Adequate steps will have to be taken to improve the situation in this regard.

Mining industry requires fairly rapid modernisation, especially in view of the increasing competition which it is facing in export markets. Though production of mining machinery is being carried out in India, still some specialised equipment is being imported. Also for servicing of installed machinery, the industry has to seek cooperation of firms from big towns like Bombay and Calculta. Steps will have to be taken in both these regards to improve matters.

For undertaking geological and geophysical surveys, though experts are being trained at the Indian School of Mines at Dhanbad, R & D centres will have to be considerably strengthened.

Extremely limited railway track capacity, scarcity of wagons and administrative delays in allotment of wagons are real bottlenecks in regard to easy, cheap and quick movement of minerals from pit-heads to consumption centres. Also, port facilities and shipping space will have to be increased and some minerals will have to be given preferential treatment in respect of shipping freight charges, if their competitive position is to be improved in foreign markets.

a warning

The author has given particular warning in respect of petroleum and petroleum products. Though the reported production of petroleum in 1977 was about 10.16 million tonnes, the total imports are still high being around 14.7 million tonnes. The author anticipates that even with increased production for which maximum efforts should be made by the Oil & Natural Gas Commission, "there will still be a gap of 15 to 20 million tonnes by 1980-81". He has therefore suggested that India must curb its consumption of petroleum and not allow it to go beyond 30 million tonnes a year for at least another five years.

Mineral industry is of basic importance to the economic development of the country. While India has definitely made considerable progress in this sector, certain lapses stand out prominently. Efforts made in the light of potentials that exist in regard to various minerals fell far short of what should have been done. There appears to be considerable lack of coordination among various concerned departments, thus hampering the coordinated development, satisfactory distribution and appropriate use of various mineral actually or potentially available in the country. The author has succeeded in giving a fairly comprehensive view of what has been achieved so far and what more needs to be done in future in the sphere of mining industry in India.

FOODGRAIN LOSSES

What is the extent of the annual losses of foodgrains out of the total foodgrains production in India? It is obvious that any macro-level study of this nature in a vast country like India is bound to have a large conjectural element in it for the simple reason that the Indian agricultural sector is dominated by small-scale family farming. And yet the policy-makers must have at least some rough idea regarding annual foodgrains losses during post-harvest operations such as threshing, transportation, processing and storage.

Losses of Foodgrains in India falls into two parts: one regarding the estimates of annual losses; and second concerning recommendations in regard to avoidance of such losses.

The study on the basis of available data has come to some startling conclusions. For example, about 1.68 per cent of foodgrains produced is lost in the process of threshing alone. During the years 1951-77, this would roughly amount to a total loss of 34.10 million tonnes. Similarly, the study has concluded that nearly one per cent is lost annually during transportation. In respect of paddy alone (for which figures are available) losses amount to nearly 10 per cent during processing of paddy. Estimates made during 1962-65 showed that nearly 6.6 per cent of post-harvested foodgrains were lost in storage in the country. This implies that due to defective storage alone nearly 10 million tonnes of foodgrains are lost every year. This was exactly double th amount of foodgrains imported by Indi during the year 1975.

Taking into account the estimates o various expert committees appointed from time to time, "aggregate percentage o losses of foodgrains at various stages wil be 12.80 approximately." On this basis during 1951-52 to 1976-77, total losses o foodgrains amounted roughly to 259.78 million tonnes. This is equivalent to India's total output of foodgrains during two recent years. An unpublished micro-level Ph.D. thesis completed under the guidance of this reviewer appears to confirm the above percentage of losses, especially in the case of storage of foodgrains where the percentage of losses is maximum.

As regards policy recommendations the study has made clear that post-harvest losses cannot be avoided totally; all that can be and should be done is to take steps to reduce to the minimum quantitative and qualitative losses of foodgrains. It also needs to be emphasised that elimination of losses of foodgrains is not "a one-time operation"; it has to be a continuous process month after month and year after year.

suggested measures

The measures suggested for avoiding quantitative and qualitative wastages of foodgrains include construction of suitable storage structures with modern amenities for handling, weighing, clearing and drying etc, uniform grading of foodgrains, provision of proper dunnage, proper stacking, steps with a view to preservation of quality, provision of better transportation facilities (especially while moving foodgrains from producing centres to storage houses or nearest marketing centres), modern methods of processing, and above all training and extension of service in this field.

Although this study is based only on secondary data and there may be large elements of conjuncture in the various estimates, it is an undeniable fact that there has been wastage running between 10 to 12 per cent of annual production of foodgrains. Last month the ministry of Agriculture announced the adequate storage facilities were being planned on the basis of a group of five to seven villages. It should be realised that the creation of additional scientific storage facilities provides only part of the answer to the problem of wastage and losses of foodgrains from other factors. It is this aspect, commonplace though it might appear, which this booklet has attempted to bring out.

LOCAL GOVERNMENT

In the initial stages of the working of the community development programme which aimed at bringing about all-round development of rural people, it came to be observed that methods adopted for the implementation of the programme made the entire system rigid, centralised, expenditure-based and mostly concentrating on 'physical' as against 'non-physical' output which should form the true basis of a movement like the community development programme. It came to be realised that the programme cannot go far enough without wider and willing participation of the local people and their local political institutions.

The outcome of this realisation led to the establishment of the panchayati raj system. It came to be realised that for the success of projects like community development, the participating unit of local government must be fairly small so that people of the area feel involved in the programme; and the unit of local administration must be sufficiently close or near to the people so that people can live up to its expectations. Dr V.G. Nandekar has in his *Local Government—Its Role in Development Administration* analysed the three-tier system of the panchyati raj in Nasik district of Maharashtra and has come to some interesting conclusions which might provide some useful guidelines to concerned policy-makers.

The author observed that the introduction of the panchayati raj system has led to the development of local political leadership in Nasik district. But the new leadership appears to come mostly from the dominant community in Maharashtra, namely Marathas. Again the leaders hail mostly from the class of rich farmers in the majority community. The author has however observed favourable signs that low-income groups among the farming community have begun to exert political pressures and this might prevent concentration of political leadership in the traditional elite class in rural Maharashtra.

The author has observed that the new leadership belongs to fairly younger age-group of 31-45; but the unfortunate part is that though there is a certain amount of idealism among the new emerging leadership, generally their educational level is low. The author has recommended that certain minimum educational qualifications be made compulsory for office-bearers as that would make their approach to local problems development-oriented. With all these shortcomings, the author observed that panchayati raj institutions in the district under review have definitely resulted in increasing participation of people in developmental activities and these institutions have positively proved better agencies to execute local development projects than government departments which formerly were in charge of these programmes.

a dilemma

The author has drawn attention to an important dilemma which most of the panchayati raj bodies are facing. These bodies cannot afford financially to employ their own technical personnel; whereas the deputed personnel from the state government with little prospect of promotion in local bodies hardly take interest in the execution of developmental projects. Also the author observed that panchayati raj institutions at all levels are financially weak. This has adverse effect on "the effective control by local bodies over local developments and little scope is left for decision-making or administrative improvement at the local level." To solve the problems arising out of extreme financial dependence of the panchayati raj institutions resulting in the destruction of the very spirit and idea with which these institutions were created, the author has recommended the establishment of 'Panchayati Raj Finance Corporation' and 'Panchayati Raj Commission'.

As regards the future of the panchayati raj institutions, if they are endowed with adequate finance, vested with adequate executive powers, and new leadership with secular approach, the author feels confident that the panchayati raj institutions can prove to be potentially powerful modernising force in the tradition-bound rural community in India.

There is no denying the fact that the panchayati raj institutions have produced a favourable impact in the sphere of developmental activities. But from various other studies carried out on these bodies the case of Nasik district appears to be an exception. In most other districts in Maharashtra, what is generally observed is political and communal factionalism, suppression of voices of minority communities and of opposition, complete dominance of the majority community and wastage of resources to serve personal and factional ends. Their autonomy appears superficial as their operations appear to be mostly dictated by political leaders at the state or central level whose hold on these bodies determines their position and status at the state and central level. Dr B.R. Ambedkar's criticism and outright condemnation of local bodies as repository of the worst evils of communalism and political and personal factionalism, at the time of framing of India's constitution, still appears valid. But there seems to be no alternative to these institutions if a truly democratic base is to be laid in India and therefore the only way out is to make efforts to remove defects in these institutions and make them play the role effectively with a view to achieving objectives for which they have come to be established. This study provides an insight into their working and by implication suggests measures necessary to improve their functioning.

PUBLIC ENTERPRISES

The International Development Research Centre of Canada and the Bureau of Public Enterprises of India jointly undertook a study of the functioning of public enterprises in India. *Performance of Indian Public Enterprises* makes an attempt to "describe the evaluation of the public enterprises, its current status and also the quantitative measure of its magnitude in terms of such macro national parameters as domestic product, capital formation and employment".

Having explained the concept of a public enterprise, and how the acceptance of a mixed economy automatically gave prominent place to public enterprises in India for accelerating economic development and for attaining various socio-economic objectives, the first five chapters are spent in just providing the Indian economic background as it emerged since independence compelling planners and policymakers to provide an expanding role to public enterprises. This so-called research project just describes in an objective way and without any critical comments various aspects of public enterprises in India such as top management structure, parliamentary control and accountability and so on. An important topic such as pricing principles followed by public enterprises in India is dismissed in less than two pages. Innumerable tables have come to be appended purporting to show the relative contribution of public enterprises in India to saving, capital formation, employment, etc. These vast tables are more likely to confuse the reader rather than enlighten him on the functioning of public enterprises in India.

Based on the analysis which is very commonplace, the study has made an attempt to arrive at certain conclusions and make certain recommendations. It is difficult to accept some of the conclusions such as, "Government generally do not interfere in the day-to-day operation matters of the enterprises", and "Representatives of the Finance Ministry and Administrative Ministry were useful members of the Board and contributed to its functioning significantly."

general recommendations

The study defends control by the ministry on grounds of public interest. Recommendations which are made are in very general terms such as "installed capacity should be fully utilised and cost consciousness should pervade all operations." It is recommended that suitable machinery to enforce cost control should be set up in all the units wherever it is absent. Profit should be aimed at under fair market conditions. The enterprise should carry within itself the seeds of expansion and progress.

In recent years many in-depth studies have been carried on the subject of public enterprises in India and their functioning and contribution to various aspects of the national economy. It is therefore disappointing that this report adds nothing to our knowledge on the subject nor makes any worthwhile recommendations that have already not been made. The study has no conceptual framework within which to work, nor any hypothesis to prove or disprove. The treatment is discussive and almost amateurish and nearly half the pages of the book are utilised to give an exhaustive list not only of public enterprises run by the central government but of all those which are run by various state governments. None who has read any literature on public enterprises in India would be any wiser by reading this book. Each public sector enterprise has its own peculiar problems. It is therefore suggested that as there are enough macro-level studies on the subject, attention should hereafter be focussed on individual public enterprises as that would prove of more practical use.

THE THIRD WORLD

Considerable amount of discussions is taking place since early 1970s on the economy of Third World countries and the rightful place to which they are entitled in the comity of nations. *Third World Countries—Struggle for New Economic Order* is a small but compact and analytical book which has succeeded in presenting the various problems before the countries of the Third World, the manner in which they are being exploited by the former colonial powers as also by the USA and the policies they should adopt to attain their due place in the world.

National liberation movements during the second world war, the Asian conference held in Delhi in 1946, the Bandung conference of the non-aligned powers at the end of world war II, the Colombo conference in 1976 and the UNCTAD conference held every four years have all led to the concept of the Third World.

The author finds that most of the Third World countries are dependent on the USA and the west European countries for economic assistance and for strategic purposes. These countries are neither fully socialist nor capitalist and the economic gap between non-oil-producing Third World countries and developed countries is ever widening.

The author has clearly explained how the prosperity of the presently developed western countries has been based on the exploitation for more than 200 years of the vast and varied resources of the developing countries and how the process still continues in a subtle way through tacit understanding among the developed countries and through newly established

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institutions like multi-national corporations. We thus notice that while the share of world trade of industrialised countries has gone up and trade between industrial countries themselves has increased, exports from non-industrialised Third World countries to industrialised countries has declined. Through devices such as arms race and continuation of cold war climate, through dependence of these countries on food-aid on the USA which boasts that "we are the Arabs of the food industry", formation of blocks and by encouraging rivalries among backward countries themselves and above all through the new device of multinational corporations which exploit enormous re-sources of the Third World countries and invest most of the profits in their own countries, the western countries have succeeded, in making economically backward countries completely dependent on advanced nations for all vital matters and frustrated all efforts by these backward countries to bring about their own rapid economic development.

restructuring required

In order to do away with this fatal dependence of the Third World countries on developed western nations and to help them bring about rapid economic development which alone will ensure self-reliance in place of the present dependence, the author has suggested various steps such as restructuring of the entire apparatus of international trade with a view to improving terms of trade in favour of developing countries, basic restructuring of world production on the basis of new international division of labour, radical overhauling of the prevailing international monetary system, ensuring transfer of adequate material and technical resources from developed to long-exploited Third World countries, finding satisfactory solutions to the problems raised by foreign debts and strict regulation of multi-national corporations. But the main plank will be to bring about effective cooperation among the Third World countries themselves which the developed countries are bound to resist at any cost. For example, Dr Kissinger looked upon such moves as a "consolidation into an antagonistic bloc" which is "neither in our political nor our economic interests." The western countries are bound to take all possible steps to prevent emergence of a solid bloc of third world countries by fully exploiting their historical rivalries, cultural and religious differences and by various other positive inducements. The Indo-Pak relations since independence is a classic example of how western countries can keep developing countries not only apart but actually in conflict with one another. Developments in Africa and middle east illustrate the same point.

The author is all praise for the USSR and other socialist countries which are trying to help countries such as India to become self-reliant in respect of capital goods and foodgrains production and loosen the grip of the western countries on the economies of developing countries.

The author has succeeded in successfully presenting the various problems faced by the Third World countries, the various devious ways followed notably by the USA to keep these countries dependent upon western nations and the steps which these countries will have to take to rid themselves of their dependence either on capitalist or socialist countries and attain a place in the international political and economic spheres to which their natural and human resources entitle them. The path chalked out is obviously arduous. But there appears no other way but to make concerted efforts to move in that direction.

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TRADE WINDS

Scheme for Allotment of Shares

THE GOVERNMENT has formulated a new scheme for the allotment of shares for guarding against professional speculators cornering them. The scheme, it is asserted, will ensure that they are not assured of allotment of shares because they had submitted group applications thereby denying allotments to genuine small investors. Details of the new method of allotment of shares offered to the public for subscription are as follows:

(i) The serial numbers given by the banks will not be used for arranging applications in categories of 50/100/150 shares. Instead, the six digit identification numbers printed on application forms will be inverted and the inverted numbers will be arranged in a serial order, after excluding invalid and multiple applications and re-numbered consecutively for each category of 50/100/150 shares. As a result the applications will get thoroughly scrambled and professional speculators will not be able to secure any assured allotment of shares merely by the submission of grouped applications at any bank.

(ii) In the event of oversubscription of a public issue or offer for sale, the scheme of allotment would be framed in such a manner that it is predominantly in favour of the applicants in the lower category. The allotment would begin with 25 shares and would be progressively increased in multiples thereof. It would be the endeavour to have about 200 shareholders for every Rs 1 lakh of share capital issued or offered for sale, especially in the event of issues oversubscribed by more than 10 times.

If the issue is oversubscribed by more than 20 times, there would be at least 250 to 300 shareholders for every Rs 1 lakh of the share capital issued or offered for sale. Further, in the event of oversubscription, the allotment per applicant would not exceed 500 shares unless all applicants up to 500 shares have been given full allotment. If the issue is oversubscribed by more than 20 times, this ceiling is to be reduced to 250 shares per applicant. Necessary instructions have been issued to the recognised stock exchanges to follow the new method of allotment of shares. Further, wide publicity to these instructions has also been given in the press.

Record Small Savings

Small savings net collections in the last year totalled Rs 850 crores—an all-time high. Net small savings collection in 1977-78, was Rs 552 crores, as compared to Rs 405 crores in the previous year.

The annual report of the ministry of Finance for 1978-79 says that during April-November, 1978, 3883 new pay roll savings groups were formed, increasing the total number of groups to 71,070 with an aggregate membership of 67,81,309. The Mahila Prabhan Kshetriya Bachat Yojna also showed progress; the number of mahila agents increased from 14,209 at the end of March, 1978 to 19,180 at the end of November, 1978. There were 27,012 sanchayikas (school savings banks) at the end of November, 1978 and the net collections through sanchayikas during April-November, 1978 amounted to Rs 1.69 crores.

Progress of New Steel Plants

Vijayanagar

A cumulative expenditure of Rs 3.53 crore has been incurred on the proposed Vijayanagar steel project in Karnataka. During 1978-79, certain preparatory jobs and investigations were completed, and various other survey and studies for development of infrastructure facilities are in progress, according to Steel ministry's report for 1978-79.

A detailed project report for this Rs 1580-crore project to create 3.0 million tonnes liquid steel capacity, submitted by MECON in April 1977 is under the examination of SAIL. The cost of infrastructure facilities covering the mines, external transport facilities, external water and power facilities, not included in the capital cost of the proper project, are Rs 825 crore of which Rs 491 crore is towards coal tronsport system. This project is mentioned as one of the new steel plants planned.

Visakhapatnam

The first phase of the Soviet-aided revised Visakhapatnam steel project is estimated to cost about Rs 1000 crore for which an investment decision is underway. The foreign exchange component of Rs 250 crore for this shore-based project will be found partly by utilising Soviet credit and partly by export of pig iron produced at the plant to the Soviet Union, according to Steel ministry.

India and Soviet Union originally agreed to establish a blast furnace complex of one-million tonne per annum, export-oriented foundry grade pig iron plant in Visakhapatnam in March last year. But to meet increasing domestic demand, instead of restricting it to blast furnace stage, it was later agreed by the two countries to instal additionally, billet making facilities in the stage. Follow up action is being taken by SAIL in respect of various infrastructure facilities.

Bokaro Output Up

Output of ingot steel at Bokaro registered an increase of 28 per cent last year. Bokaro steel plant produced about 11,95,000 tonnes of ingot steel in 1978-79, as against the ingot production of 933,000 tonnes in 1977-78. Production of saleable steel increased by about 14.2 per cent, having risen to 931,000 tonnes in 1978-79 from 815,000 tonnes during 1977-78. Many production records were established last month when saleable steel registered a record increase, from 30,300 tonnes produced in March 1978 to 99,200 tonnes in March, 1979. Bokaro's capacity utilisation last month was 96 per cent in ingots and 88 per cent in saleable steel. Apart from the annual records in saleable, ingot steel and hotmetal, some special quality sheets were also developed at Bokaro during 1978-79, including the high-strength niobium bearing steel and rim stabilised, quality hard steel.

Export Ban on Steel Items

The government announced on April 26 the decision to impose a ban forthwith on export of semi-finished steels as well as bars and rods of all qualities and sizes. It is seriously considering the imports of bars and rods to supplement the domestic availability of these items. A final decision is expected to be taken shortly in this regard.

According to the official announcement, it has also been decided that construction round bar steel would be made available for "builders of small houses" from the main producers at stockyard prices. The Iron and Steel Controller and the Joint Plant Committee have been asked to implement this scheme immediately. Ban on exports is stated to have been imposed after a thorough review of the position regarding domestic demand and availability of bars and rods.

India-Yemen Cooperation

India will assist People's Republic of Yemen in developing infrastructural facilities and setting up small industrial units. A team of the National Small Industries Corporation and experts from the All-India Handicrafts Board will go to Yemen by the end of next month for this purpose. A trade agreement, the first of its kind, was signed recently by Commerce minister, Mr Mohan Dharia and Yemen trade minister, Mr A.O. Al-Fadali. At present, trade between the two countries is small. But the two ministers felt that the agreement would go a long way in promoting not only economic and trade ties but also friendly relations between the two countries.

The team comprising technical experts of the National Small Industries Corporation during its forthcoming visit to Yemen, will identify the areas where India can extend facilities to enable that country to develop industrial estates. Since handicrafts have a lot of scope there, officers of the All-India Handicrafts Board are expected to locate specific requirements during their proposed visit to Yemen. Mr Dharia made it clear that India would give all possible cooperation to Yemen to develop infrastructural and other facilities in a spirit of friendship.

In 1978-79, India exported goods worth Rs 7.7 crores to Yemen. These included engineering goods, jute products,

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transport equipment as also drugs and pharmaceuticals. Imports from that country have been small, running into a few lakh of rupees only. Yemen is an exporter of cotton and it has made considerable advance in fisheries. Since production of cotton in India has been good in the current season, no import is being envisaged at present. But with increased economic and technical cooperation, new avenues are going to be opened up for trade exchanges.

MMTC Pact with Iraq

The Minerals and Metals Trading Corporation, recently finalised a long-term agreement for export of iron ore to Iraq. The agreement provides for a total export of 4.95 lakh tonnes over a five-year period. During the sixth year, the exports would be optional. If the Iraqui side continued purchase of iron ore in this year, the total quantum would be six lakh tonnes. The contract was signed by Mr V.S. Bhatnagar, director, MMTC and Mr Kadhum Jawad Yahya, director general of the state-owned Iraq cement public company.

Indo-Syrian Air Agreement

An agreement between the government of India and the government of Syrian Arab Republic relating to air services, was signed recently. The agreement provides for the operation of two services per week by the designated airlines of India and Syria on the specified routes. Mr Purushottam Kaushik, minister for Tourism and Civil Aviation signed the agreement on behalf of India and Dr Salim Yassin, Syrian minister of Transport signed on behalf of Syrian government. Syrian Arab Airlines which has been operating a weekly service between Damascus and Delhi operated its inaugural flight between Damascus and Bombay on April 18, 1979 with Syrian minister of Transport on board. Air-India which has been overflying the territory of Syria on its scheduled services has yet to commence operations through Damascus. Syrian Arab Airlines commenced its first service to Delhi on May 3, 1966. Both the ministers expressed the hope that this agreement will further strengthen the bonds of friendship between the two countries.

Exports to Australia

India's exports to Australia can be more than doubled in the next three years if only the importance of the promotional measures, and market research are recognised and effective steps taken for after-sales service said Mr Gopal Kishna Singhania, chairman, Indo-Australian trade group. He said despite making inroads into the Australian market, India's share in export of some of the traditional commodities had actually shrunk in recent years. For instance India's share in Australia's tea imports declined from 20 per cent in 1975-76 to 10 per cent in 1977-78. During 1977-78, Australia accounted for only two per cent of India's global exports of tea. He was speaking at a workshop on Indo-Australian Trade and Economic Cooperation, organised by the Indian Council of Foreign Trade. The report of the delegation of the Indo-Australian trade group of the council, which visited Australia in November 1978 was the topic of the discussion. Mr Singhania pointed out that India's share in exports of handmade carpets in the last few years had dwindled from seven per cent a decade ago to one per cent of our total exports. Lack of adequate promotion was the reason for this decline.

Shoe Uppers for GDR

India will export leather shoe uppers worth Rs 3.75 crores to the German Democratic Republic (GDR). An agreement to this effect was signed recently by Mr A.K. Sen, group executive of the State Trading Corporation, and Mr E. Schorsch, deputy director-general of Interpelz, the importing agency. The supplies will be made between June and November this year.

From a modest beginning in 1975, there are at present 18 semi-mechanised small-scale units engaged in the production of shoe uppers for supply to GDR. This has been achieved with the marketing and technical assistance provided by STC which was further improved by the consistent technical expertise made available by experts deputed by the GDR agency.

More Airbuses for Lufthansa

Lufthansa has placed a firm order for 25 aircraft and an option order of another 25 aircraft of the latest version of the Airbus—the Airbus A310. This version has been developed by the Airbus Company with the close cooperation of Lufthansa and two other European airlines. Signed recently by Dr Herbert Culmann, chairman of the Lufthansa executive board and Dr Reinhardt Abraham, member of the Lufthansa executive board, the firm order alone totals to an amount of DM 1500 million. Deliveries will commence from 1983 and will run through 1990. The Airbus A310 is a developed derivative of the Airbus A300 B2 and B4, which have been in Lufthansa service since 1976, and features a shorter fuselage, a newer version of the General Electric CF6 engine and a new transsonic wing. The A310 fulfils all the requirements of the latest stage of the science of avionics and automatic flight control systems in addition to an optimum commonality with the Airbus A300.

Indal's R & D Centre

Indian Aluminium's new research centre has been commissioned recently at Taloja, Maharashtra. The centre will concern itself with the development and application of rolling oils and lubricants used

COMPANY NOTICE

Bharat Commerce and Industries Limited

NOTICE

NOTICE is hereby given pursuant to Secton 154 of the Companies Act, 1956, that the Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, the 22nd May, 1979 to Thursday, the 14th June, 1979, both days inclusive. The dividend, if declared, in the Annual General Meeting scheduled to be held at Hotel Imperial, Janpath, New Delhi-110001 on Thursday, the 14th June, 1979 at 4 P.M. (Agenda of the said meeting is being forwarded to the shareholders) shall be payable to those shareholders or their Mandatees whose names will appear in the company's Register of Members as on 14th June 1979.

By Order of the Board
V. N. PODDAR
Secretary.

Registered & Head Office:
Surya Kiran, 5th floor,
19 Kasturba Gandhi Marg,
New Delhi-110001.
Dated, the 17th April, 1979.

in the manufacture of aluminium fabricated products. Indal's R & D efforts in this direction have already resulted in the development of speciality oils used in rolling of aluminium which were previously imported. Manufacturing rolling oils on a regular basis by Indian entrepreneurs based on Indal's R & D knowhow has resulted in significant import substitution and contributed to the development of indigenous technology and enterprise. Processes for reclaiming spent oils have been developed which are being utilised for commercial production by local entrepreneurs in the small-scale sector.

Polyester Enamels Exports to USSR

With the finalisation of a fourth order for polyester enamels with the Russian ministry of Foreign Trade, the total Soviet contract now placed on Dr Beck and Company (India) Ltd amounts to Rs 376.74 lakhs. The Indian company is committed to making complete deliveries against all the four orders by October this year. The Poona-based electro-chemicals company has succeeded in maintaining their world-wide export markets in the teeth of the severest international competition.

Iraqi Contract for EIL

India has been awarded another prestigeous contract by Iraq for the construction of the council of ministers building valued at Rs 32.5 crores. The contract has been won by the public sector undertaking, Engineers India Limited.

The building is scheduled to be completed in two years. This is the seventh project awarded to India in 1979 raising the total value of projects awarded to this country so far this year to Rs 112.5 crores.

Western Coalfields Expansion Plans

The public sector Western Coalfields Ltd (WCL) plans to more than double its coal production from the present level of 4.32 million tonnes to nine million tonnes by 1984-85.

New projects, most of them open-cast and re-organisation schemes costing Rs 112.55 crores for an annual production of 8.16 million tonnes on maturity, are being undertaken by the WCL.

Work has already been initiated at the Durgapur, Hindustan-Lalpeth and the Ballarpur open-cast mines in Chandrapur district of Maharashtra. These projects will cost Rs 56.97 crores for an optimum annual production of 2.64 million tonnes. The coal from these projects will be fed to the super thermal power project coming up shortly at Chandrapur.

Replenishment Gold Price Raised

The government has raised the price of gold to be released through the State Bank of India under the gold jewellery export replenishment scheme during May to Rs 710 for 10 grammes. The price for April was Rs 700.

The increase in the price reflects the firm trend in the international market.

Malco Injunction Vacated

Mr C. G. Devaya has been permitted to continue as the managing director of the Madras Aluminium Company Ltd, by the High Court of Madras, vacating on April 19, the earlier injunction order issued on a writ petition of a share holder restraining him from acting as managing director.

Mr Devaya took over as managing director of the company on March 20, 1978 from the previous two managing directors, backed by the financial institutions and the Italian collaborators.

Names in the News

Mr H. N. Dutt Gupta, managing director, East India Pharmaceutical Works Limited, Calcutta, has been elected president of the Organisation of Pharmaceutical Producers of India (OPPI) for the year 1979-80. A director of several companies in the eastern region, Mr Dutt Gupta is the vice-president of the Bengal National Chamber of Commerce and Industry.

Mr H. N. Dutt Gupta

Mr M.N. Karani, director of Ciba-Geigy of India Ltd, and **Mr S. K. Duggal**, manager, Pharma division, Bayer (India) Ltd, have been elected vice-presidents.

Mr R.R. Nair of Jyoti Limited and **Mr K. Mubayi** of Mather & Platt Ltd have been elected as president and senior vice-president respectively of the Indian Pump Manufacturers Association for 1979. The following have been elected as members of the executive council: Mr C.C. Amin, Mr N.M. Saraiya, Mr S.D. Mody, Mr Vijay Bhangar, Mr L.M. Pande, Mr A.K. Wadhawan, Mr C.V. Saha, Mr Bharat B. Khimji, Mr B.P. Mittal, Mr S.S. Uppal, Mr R. Ramachandran, Mr J.M. Puri, Mr K.M. Bareja, Mr R.C. Arora, Mr R. Vijayakumar, Mr S.K. Roy, Mr M.V. Joshi and Mr R.R. Bareja.

Mr A. L. Mudaliar was elected president of the Associated Chambers of Commerce and Industry of India (ASSOCHAM), at its annual general meeting, held in New Delhi on April 30, 1979. Mr Mudaliar is the chairman of the ICI companies in India. A past president of the Bengal Chambers of Commerce & Industry, Mr Mudaliar was alternate president of ASSOCHAM in 1978. His special interests are social welfare and the training and development of professional management in India.

Mr A. L. Mudaliar

COROMANDEL FERTILISERS LIMITED

The following is the text of the speech by Dr. Bharat Ram, Chairman of Coromandel Fertilisers Ltd., at the 17th Annual General Meeting held on April 25, 1979

Dr. Bharat Ram

Ladies and Gentlemen:

I have much pleasure in welcoming you to this 17th Annual General Meeting of the Company. The printed Annual Report of the Company containing the Directors' Report and audited accounts for the year 1978 has been in your hands for some time now. I am sure you would have noticed that the operating results have indeed been quite satisfactory.

The performance of the Company would have been even more impressive but for intermittent shutdowns of the various units of the Plant during the year resulting in a lower than budgeted volume of production. As pointed out in the Directors' Report, these shutdowns were mainly caused by problems arising from an ageing Plant. While the Management has taken all immediate measures to ensure minimal loss of production, phased replacement of the equipment is also under way and a vigorous effort is being made to improve capacity utilisation during the current year.

Water supply to meet the Plant's requirements has acquired criticality of late. We are enlisting the help of authorities at the State level and also at the Centre to ensure reliable and adequate water supply

In my address to you last year, I had occasion to refer to the adverse impact on the Company's future returns on investment if the Fertilizer Prices Committee's retention price formula were adopted in respect of its products. The retention price recently announced is bound to cause erosion in the profitability of the Company. During the deliberative phase of the Fertilizer Prices Committee's exercise, little opportunity was given or available for an open discussion on various points relevant to our Plant, its age, its peculiar limitations as a producer of phosphoric acid and the consumption norms to be allowed. Government have now established an agency—the Fertilizer Industry Coordination Committee—to examine the technical and financial aspects and to see the factual state of affairs, and to correct anomalies and patent errors which have crept into the exercise. We hope this indepth review will correct some of the earlier distortions.

You may recall, I have, on earlier occasions, mentioned that the Company has been actively examining various projects to undertake as a part of diversification. We are embarking on a project to manufacture cement. Cement which is in short supply, is a basic requirement. It is a commodity that will enjoy an expanding market and priority in our arrangements. A Letter of Intent for the manufacture of 900,000 tonnes of cement has been received. We have had an expert group of geologists survey the area near Cuddapah in Andhra Pradesh where this Plant will be situated. Their preliminary investigations promise that not only are the reserves adequate to last a 50-year span of activity, but you will be pleased to know that Nature has been kind in endowing this area with some of the finest limestone. We are mindful about the economical way to use this natural resource and keeping this in mind, we have taken early steps to appoint a firm of consultants of proven ability and experience to assist in moving this project forward. We are fortunate, our dialogue with the various departments of Government, including Railways, has assured us that there will be no problems in moving raw materials and products at the site where the Plant is proposed to be erected. According to the present assessment, we expect the capital outlay to be of the order of Rs. 54 crores. The detailed pattern of financing is still being worked out and we are in close touch with institutions and authorities involved in this exercise. At this meeting, your approval is being sought to carry out the necessary amendments to the Memorandum of Association to enable the Company to undertake this new activity.

Talking of the country's economy as a whole, it is a pity that in spite of all the favourable circumstances, a comfortable stock of foodgrains and foreign exchange reserves, our development is still extremely slow. We get involved in a discussion on public and private sectors, large houses and small houses instead of thinking of all the sectors as national sectors. I am afraid with the present fiscal policies and economic thinking we shall have shortages in many areas. With the high rate of excise duties and company taxation, the prices are bound to increase and I cannot accept the Government's estimate that the price rise would be only 1%. We see today tremendous shortage of coal, power, cement, steel, paper and many other articles which are important inputs for production. Our balance of trade continues to get worse. We still think that inward remittances would continue at the present level. Our rate of export growth is declining and imports increasing. As I visualise, our imports will continue to increase, particularly because of continuing increase in prices of crude oil. Unless our exports increase at a much faster rate, we could soon fritter away the foreign exchange reserves. Government must give all incentives for increasing exports and not be complacent because of the present level of foreign exchange reserves. Indiscipline in all areas has increased. Unless stern action is taken against anyone coming in the way of production, we shall continue to face shortages. In my humble opinion, there was no need for the Finance Minister to either increase excise duties on articles of common man's use or to increase corporate taxation. A little more of deficit financing would not lead to inflation provided the resources are spent on productive purposes. Unless a pragmatic approach is taken for the growth of all sectors i.e., large sector, medium sector and small sector, I am afraid that the consumer will have to put up with shortages and high prices. People like me have no power of decision-making, but can only caution those in power and people in general of the possible effects of policies being followed. One only feels sad that with all the resources we have, physical, technical and human we are still not developing as fast as we can. Unfortunately, we still continue to be entangled in vague ideological considerations. I, therefore, plead for a policy which would be growth-oriented and which releases impulses of dynamism in our society by getting all sectors to work and produce more in order to eradicate unemployment and poverty.

Your Company has always been alive to its obligations towards the environment in which it operates and has sought to promote the farmers' interests through various programmes of extension and education. A significant step in this direction was taken by your Company in October last year when it launched a Village Farming Adoption Programme. Initially planned for a period of two to three years, this programme which will be implemented with the active association of the Andhra Pradesh Agricultural University, is designed to provide intensive agricultural extension service in the backward districts of Srikakulam and Visakhapatnam aimed at developing farming knowledge, skills and expertise in scientific agricultural practice, through a system of special advice to small and marginal farmers. Twenty Village Agricultural Consultants, fully qualified and experienced, will be in charge of this programme which will cover approximately 200 villages intensively.

Since I addressed you last year, certain changes have taken place in the Board of Directors of your Company. Mr. T. N. Gidwani, after a long and fruitful association with the activities and growth of your Company, left the Board in August last, his nomination having been withdrawn by Industrial Development Bank of India. His place on the Board was filled by the addition of Mr. J. W. Kent, President, Chevron Chemical Company. Mr. N. P. Chakraborty who also had a fairly long innings on the Board left in September, his nomination having been withdrawn by Industrial Finance Corporation of India. In his place, Mr. N. C Sen Gupta, ICS (Retd) has been nominated by Industrial Finance Corporation of India and we welcome his association with the Board. Mr. D. B. Barlow, Vice President of Chevron Chemical Company, whose association with the Company extends as far back as the very inception of the corporate entity in 1964 and who served on the Board for a number of years over this period, relinquished his office as a Director from early March this year and his place has been taken by Mr R. H. Matzke, Vice President, Chevron Chemical Company. We welcome these new Directors and express our gratitude to Messrs T. N. Gidwani, N. P. Chakraborty and D. B. Barlow for the valuable contributions they made to the growth of the Company while they were in office.

I would also like to add that the Company, as in the past, continued to have valuable counsel and cooperation from the Promoter Companies.

Last but not least, I would like to make a special mention of the cooperation that the Company received from all our employees at the Plant and other offices which was an immense source of strength to your Management in furthering the progress and growth of your Company.

Thank you.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

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COMPANY AFFAIRS

Kesoram Industries

KESORAM INDUSTRIES and Cotton Mills Limited which has earned a higher gross profit of about Rs 10.03 crores for the year ended March 31, 1979 compared with Rs 4.73 crores in the previous year, has proposed to raise equity dividend by four per cent to 17 per cent. After providing Rs 2.32 crores for depreciation and Rs 2.85 crores for taxation, the company's profit available for appropriation amounts to Rs 4.86 crores against Rs 3.65 crores in the previous year. The turnover of the company has increased to Rs 72.84 crores from Rs 60.49 crores. The ordinary dividend absorbs Rs 76.5 lakhs. Allocations include Rs 1.40 crores for investment allowance reserve, Rs 2.25 crores for general reserve No. 1, Rs 33 lakhs for debenture redemption reserve and Rs 87.79 lakhs for proposed dividend. After making adjustments there is a balance of Rs 2,804 which is carried forward.

Mr Surendra Kumar Birla, the president, attributed the improved working of the company to several factors such as remarkable operation of the cement division at Hyderabad working at 104 per cent capacity against the all-India average of 89 per cent, a pragmatic multi-fibre policy of the government, easy availability of raw materials and finally a generally peaceful labour situation in most of the units.

But then the company had to contend with several constraints as well as acute power crisis which forced the West Bengal units of the company to operate at only 65 per cent of their capacity and irregular and poor supplies of coal. The rayon unit, he said, faced yet another difficulty. While the pulp, a major input required for manufacturing rayon yarn attracts as high as 57 per cent import duty the government allows duty-free yarn from abroad which means indigenously produced rayon yarns are clearly placed in disadvantageous position vis-a-vis the imported variety.

Modernisation Project

During the year under review, the company launched a modernisation programme in its cotton textile unit for which Rs 4 crores were available. Mr Birla expressed his thanks to financial institutions like IDBI, ICICI and IFCI for providing assistance to the tune of Rs 2 crores. The balance Rs 2 crores would be raised from the company's internal resources. The company has already spent over Rs 2 crores for this purpose. He also informed that an application had been lying with the government for a proposal to set up the 400,000 tonne fourth unit of the cement division at Kurnool in Andhra Pradesh at an estimated cost of Rs 26 crores.

The company's exports during the year amounted to Rs 83 lakhs of which the textile unit accounted for Rs 14 lakhs, cellophane paper Rs 21 lakhs and spun pipes Rs 48 lakhs.

Baroda Rayon

Baroda Rayon Corporation has fared well during 1978. Its gross profit has increased by nearly 46 per cent to Rs 8.13 crores from Rs 5.57 crores for 1977. The directors have proposed to step up the equity dividend to 12 per cent from 10 per cent for 1977. The Rs 100 fully paid-up equity shares of the company are placed around Rs 240 in Bombay. The company's turnover shows a modest increase to Rs 43.65 crores from Rs 43.54 crores. Its net sales (net of excise) are slightly lower at Rs 26.42 crores against Rs 26.79 crores. Thus, the gross profit shows a smart rise despite a nominal fall in net sales. This has pushed up the ratio of gross profit to net sales to 30.8 per cent from 21.5 per cent for 1977.

Its production of rayon filament yarn increased to 3,773 tonnes in 1978 from 3,729 tonnes in the previous year. The overall supply position of pulp for the manufacture of rayon yarn was quite satisfactory following liberal imports. Its output of nylon filament yarn showed an increase to 1,745 tonnes from 1,680 tonnes following easy availability of caprolactum, the major raw material. The company's production of polyester filament yarn registered an impressive increase to 669 tonnes from 472 tonnes following the modernisation of the plant and better availability of DMT.

The company's pre-tax profit for 1978 amounts to Rs 6.30 crores against Rs 3.96 crores for 1977 after providing Rs 1.83 crores (Rs 1.61 crores) for depreciation. A sum of Rs 25 lakhs (nil) is provided for taxation and Rs 35 lakhs for investment allowance. The proposed dividend will claim Rs 1.02 crores (Rs 1.01 crores). The transfer to reserves amounts to Rs 4.06 crores.

Jay Shree Tea

Jay Shree Tea and Industries, proposes to expand its manufacturing capacity of single superphosphate from 57,360 tonnes to 66,000 tonnes and of cryolite sodium silicofluoride from 150 tonnes to 750 tonnes per annum. The estimated capital outlay on the expansion project of Rs 4 crore is to be financed by internal accruals of Rs 80 lakhs and term loans from bank and financial institutions of Rs 320 lakhs. The company has sought the government clearance for the project under the Monopolies and Restrictive Trade Practices Act.

Muller and Phipps

Muller and Phipps (India) has earned a higher gross profit of Rs 16.74 lakh for 1978 against Rs 11.68 lakh for 1977. Its sales have increased to Rs 5.05 crores from Rs 4.38 crores.

The directors have proposed a lower dividend of eight pe cent against 10 per cent fo 1977. But the proposed dividend is on a larger capital an therefore the total dividen distribution will be higher a Rs 3.20 lakhs. A higher rate o distribution would have mean payment of surtax by the company, the management states Again, the directors feel tha it would be prudent to conserve reeources for the company's future activities.

Its net profit amounts t Rs 5.21 lakhs against Rs 4.0 lakhs after providing Rs 99,71

(Rs 69,337) for depreciation, Rs 10.44 lakhs (Rs 6.70 lakhs) for taxation and Rs 9,100 (Rs 23,678) for investment allowance. The higher tax liability is largely because of disallowance of certain expenses from taxation on advertising, publicity and sales promotion.

The company's working so far in the current year is quite encouraging. Its sales during the first quarter of 1979 amounted to Rs 131 lakhs against Rs 98 lakhs during the corresponding period of 1978.

Ashok Leyland Limited

In its annual report for the year ended the December 31, 1978, the board of directors of Ashok Leyland Limited reports substantial increases in the value and volume of sales over the previous year. The turnover went up from Rs 98.7 crores to Rs 134.7 crores, a gain of 36.5 per cent. The number of vehicles sold was higher at 11,116 (8,113) and the number of engines sold was more at 1,387 (1,152). The increase on account of sales of spare parts was from Rs 14.4 crores to Rs 15.75 crores (as included in the total sales value). The profit before tax went up from Rs 12.77 crores to Rs 15.28 crores and the profit after tax improved from Rs 5.37 crores to Rs 6.91 crores. Earnings per share however was lower at Rs 2.47 as compared with Rs 2.87 in 1977. This was because the company had capitalised a part of its general reserve during the current accounting year with the issue of 9,346,217 equity shares of Rs 5 each as fully paid bonus shares in the ratio of one share for every two shares held. The board has recommended a dividend of 16 per cent (80 paise per equity share of Rs 5 each) subject to deduction of tax. This dividend is on the capital as enlarged by the issue of bonus shares during the year.

The company achieved a record production of 10,710 medium duty vehicles as against 7,842 in the previous year. The year also marked the production of the 100,000th chassis, a landmark in the history of the company. The new haulage vehicle, TUSKER, with a gross vehicle weight of 13 tonnes, the report says, continues to be well received in the market. The company's export performance has shown improvement, with shipments going up from 909 vehicles in 1977 to 1,159 vehicles (including those for IDA assisted projects).

In the light of the buoyancy of the demand for vehicles from the domestic transport industry, the company may be expected to perform well in the current year too. Its progress with the designing and development of a multi-axled vehicle, with a gross vehicle weight of 18 tonnes, for carrying higher payloads promises to be a rewarding exercise. The vehicle is being put through extensive field trials. The company has obtained permission from the government for stepping up its licensing capacity of medium duty vehicles to 12,500 per annum. Effective steps have been taken for implementing this expansion project which will be financed from internal resources.

In February this year, the company had made a public issue of 4,961,349 equity shares of Rs 5 each at a premium of Rs 3 per share. After the allotment of the new shares, the non-resident shareholding will stand reduced to 50.7 per cent. This issue has been oversubscribed by more than 14 times. The details of the scheme of allotment are given in table alongside.

No. of shares applied for	No. of shares allotted	No. of allottees
100	50 shares to 2 out of 11	25,460
200	100 shares to 1 out of 6	7,597
300	100 shares to 2 out of 9	4,828
400	100 shares to 3 out of 11	2,930
500	100 shares to 1 out of 3	3,080
600-900	100 shares to 2 out of 5	3,844
1000-1400	100 shares to 2 out of 3	6,562
1500-2600	100 shares-firm	4,537
2700-4100	150 shares-firm	330
4200-6000	200 shares-firm	167
6100-8000	250 shares-firm	43
10000-12600	400 shares-firm	14
14200-15600	450 shares-firm	5
Above 15600	500 shares-firm.	2

There will be 252 allottees for every Rs 1 lakh of share capital issued by the company.

Gujarat State Fertilizers

The directors of Gujarat State Fertilizers Co state that the company's application for expansion of the caprolactum facility is still under active consideration of the government and additional information on the economic and feasibility for the expanded capacity integrated with the existing plant has been submitted to the government. The company has also applied for allowing it to establish additional fertiliser manufacturing capacity based on Bombay High gas. It is going ahead with its various projects such debottlenecking of phosphoric acid plant, purge gas recovery, nylon-6 and melamine. Civil works for the purge gas recovery and nylon-6 projects have made good progress and imported equipment for the former is being received. The necessary foreign exchange for the nylon-6 project has been tied up. The debottlenecking of phosphoric acid plant will be commissioned after the next annual shutdown, after completing modification and interconnection to the existing equipment. The project for setting up the sulphuric acid plant with a capacity of 132,000 tonnes per annum is expected to be completed in 1981.

Tubes and Malleables

Tubes and Malleables Limited is to resume dividend after a lapse of three years. The company has anonunced a 12 per cent dividend for the year ended December 31, 1978 as a result of improved working. A larger turnover of Rs 4.23 crores was achieved during the year against Rs 3.19 crores in the previous year, representing an increase of 33 per cent. On this turnover the company has made a net profit of Rs 10.94 lakhs after wiping out the loss of Rs 2.17 lakhs carried forward from the previous year and after providing for depreciation and taxation. The amount required for payment of dividend is Rs 5.49 lakhs. Transfer to general reserve is Rs 5.40

lakhs and the balance of Rs 4,974 is being carried forward.

The company has been able to maintain progress during the first quarter of the current year with increased sales and better profitability. The directors are hopeful of showing better results during the current year.

Searle (India)

Searle (India) Ltd, Bombay, incurred capital expenditure of Rs 10.37 lakhs towards replacement and expansion of manufacturing facilities during the year ended December 1978. The company has received a letter of intent for the manufacture of quinolphos, an agro-chemical. Necessary formalities are in progress for registering the product and converting the letter of intent into an industrial licence.

The directors have proposed to issue 276,000 equity shares of Rs 10 each as fully paid bonus shares in the ratio of two equity shares for every existing five shares held, by capitalising Rs 27.60 lakhs out of the general reserve as on December 1978. The issue is subject to the approval and consent of the Controller of the Capital Issues and the shareholders. The bonus shares will be rank 'pari passu' in all respects with the existing equity shares and shall be entitled to dividend, if any, that may be declared in respect of the company's financial year beginning January 1979.

Mahindra and Mahindra

According to Mr Keshub Mahindra, chairman of Mahindra and Mahindra, the company has bright prospect as in the current year so far (November 1, 1978 to April 22, 1979) the company has sold 6,200 vehicles against 4,500 vehicles in the same period of the previous year, and 4,000 tractors against 1,500 tractors. The demand for the company's products continues to be strong and the management expects that the company will be able to achieve record sales and increased profits for the current year ending October 1979 than in the previous year.

Mr Mahindra has said that the tempo of activity of the International Tractor division has increased this year. The recovery of this division has been possible mainly due to provision of finances by Mahindra and Mahindra. Currently, 43 per cent of the company's income comes from non-automobile activities. The merger of International Tractor with the company has brought strength and stability to the company.

Ennore Foundries

Ennore Foundries has reported an all-round improvement in its working results for 1978. Equity dividend has been maintained at 20 per cent. Sales have risen by 41.4 per cent from Rs 7.90 crores in 1977 to Rs 11.17 crores in 1978. The gross profit increased by 60 per cent from Rs 1.48 crores to Rs 2.29 crores. After providing Rs 34.79 lakhs for depreciation, Rs 10.86 lakhs for investment allowance and Rs 95 lakhs for taxation, the net profit works out to Rs 88 lakhs. Dividends will absorb Rs 56.56 lakhs. A sum of Rs 43 lakhs has been transferred to general reserve, raising its level to Rs 2.05 crores. Production increased from 12,376 tonnes of ferrous and non-ferrous castings to 15,598 lonnes.

The company has embarked upon a comprehensive scheme of replacement and modernisation of the foundries with a view to update the technology, improve the quality, increase production. With the modernisation, the company's capacity will increase to 26,850 tonnes. At full production, which is expected to be achieved by 1982, the turnover will rise to about Rs 20 crores. The scheme is expected to cost Rs 6 crores, which will be met by internal generation and soft loans from financial institutions.

Corporation Bank

The Corporation Bank Ltd has proposed an equity dividend of 15 per cent for 1978 on the increased capital of Rs 62.50 lakh. Operations during the year resulted in a profit of Rs 22.38 lakhs against Rs 19.68 lakhs in 1977. An amount of Rs 13.21 lakhs has been transferred to reserves.

The directors have also proposed to issue rights equity shares to the extent of Rs 25 lakhs is the ratio of one for every three equity or preference shares held during 1979. This is the fourth rights issue the bank is making since 1974 and with this the paid up capital will amount to one crore rupees.

Atlas Copco

Atlas Copco (India), is going ahead with its expansion and diversification plans. The plans for the manufacture of aqua rigs and mechanised drilling equipment are progressing satisfactorily. The company has already placed orders for its requirements, including certain imported machine tools. Construction of the new building will commence shortly. Two new machines, which were expected to be introduced in the market last year were delayed due to procedural formalities of the licensing authorities in respect of import of certain components. The company now expects to introduce these machines in the middle of this year. It also expects to develop and introduce another new machine in early 1980.

Premier Construction

Performance of most of the subsidiary units under the Premier Construction Co Ltd, were satisfactory though the work of some of the units was affected temporarily, according to Mr Lalchand Hirachand, chairman.

The chairman told the shareholders recently that the company's subsidiary, Hindustan Construction Company has collected only Rs 14 crores worth of work bills from August 1978 to March 1979 as against Rs 17.24 crores collected in the same period of the previous year.

Though the unit had orders worth Rs 96 crores it was not able to execute the work owing to floods, labour trouble and other reasons. The unit's work on the sugar factory in Tanzania has come to a halt because of the current hostilities between that country and Uganda, the chairman said.

During the current financia year this unit had obtaine orders worth Rs 18 crores Another order valued at Rs 5. crores is being negotiated.

The sales turnover of India Hume Pipe Co, in the first nin months of the current yea ending March 1979, amounte to Rs 8.08 crores agains Rs 7.96 crores achieved in th same period of the previous year. The orders on hand with the units for the same period is for Rs 16.49 crores.

The sales of Walchandnagar in the first six months of the current year (October 1978 to March 1979) amounted to Rs 13.58 crores against Rs 9.43 crores achieved in the same period of the previous year.

Sales of industrial machinery division during the first half of the current year amounted to Rs 11.78 crores against Rs 8.04 crores recorded in the same period of the previous year.

The turnover of Cooper Engineering, up to March 1979 in the current year amounted to Rs 7.68 crores against Rs 6.19 crores achieved in the same period of the previous year.

Acrow India Ltd has sales of Rs 1.93 crores up to March 1979 in the current year against Rs 1.88 crores achieved in the same period of the previous year.

American Express

American Express Company has reported record first quarter earnings of $73.3 million, a gain of 12.1 per cent over the restated $65.4 million for the first quarter of 1978. Consolidated earnings per share for the period ended March 31, 1979 were $$1.02. compared with a restated $.91 a year ago. The company's revenues for the first quarter were $1,070.2 million, compared with $916.9 million a year earlier, a gain of 16 7 per cent. Each of the company's three major lines of business—Travel Related Services, Insurance Services and International Banking Services—reported higher earnings for the quarter. Travel related services rose 8.1 per cent to $30.9 million, insurance services rose 13 per cent to $40 million and international banking services rose 20 per cent to $8.8 million.

Shree Synthetics

Shree Synthetics Ltd has announced that it propose to issue rights shares in the ratio of two shares for every five shares held at a premium of Rs 2.50 per share.

Gokak Patel Volkart

Gokak Patel Volkart has recorded improved working result for 1978. Sales have risen from Rs 24.81 crores to Rs 24.93 crores and the gross profit from Rs 2.06 crores to Rs 3.05 crores. Dividend has been raised from 16 per cent in 1977 to 22 per cent. After providing Rs 53.77 lakhs (Rs 46.07 lakhs) for depreciation, Rs 137.41 lakhs (Rs 90.50 lakhs) for taxation and Rs 12.30 lakhs (Rs 3.50 lakhs) for investment allowance reserve and some other adjustments there is a disposable surplus of Rs 104.85 lakhs (Rs 73.89 lakhs). A sum of Rs 12.90 lakhs (Rs 2.76 lakhs) has been transferred to capital reserve and Rs 20.20 lakhs (Rs 18.95 lakhs) for general reserve. Dividend will absorb Rs 71.75 lakhs (Rs 52.18 lakhs).

Cemindia

Cemindia Co, proposes to enter the capital market shortly with an offer of 302,000 equity shares of Rs 10 each at par. Besides, the company has reserved 25,000 equity shares each for allotment to the Unit Trust of India and General Insurance Corporation and 40,000 equiry shares to the employees, Indian directors and business associates. The main object of the issue is to dilute the equity shareholding of the Cementation Co Ltd, UK to 51 per cent of the total issued capital of Rs 80 lakhs. The UK firm has been allotted 408,000 equity shares of Rs 10 each and the balance of Rs 39.20 lakhs is payable to it in two instalments.

The present activities of the company comprise deep shaft sinking in difficult ground conditions and treatment of foundations for dams and heavy structures. In view of its being specialist engineers in the field of geotechnique and mining engineering, the company expects increasing demand for its services.

Sales of the company have increased from Rs 308 lakhs in 1974 to Rs 523 lakhs for the 15 month period ended December 1978 and the net profit has risen from Rs 18.65 lakhs to Rs 35.27 lakhs. Based on the past performance, the company expects to pay a reasonable dividend.

Bengal Lamp

Bengal Electric Lamp Works, a leading manufacturer of a varied range of lamps including GLS lamps, fluorescent tubes, special lamps and electric incandescent lamps having its factories at Calcutta and Bangalore, propose to issue 350,000 equity shares of Rs 10 each at par. The public issue is being made to comply with the stock exchange listing requirements The proceeds of the issue will be utilised for augmenting the working capital resources. The company has a record of continuous profits over the past 40 years. This profit record assumes greater significant in the context of the disappointing performance of some other lamp manufacturers for some years. Its net sales amounted to Rs 11.30 crores during 1977-78 against Rs 9.82 crores for 1976 77. The net profit was Rs 5.43 lakhs against Rs 11.38 lakhs. It paid an equity dividend of 10 per cent against six per cent for the previous year.

The present subscribed equity capital is Rs 62.27 lakhs. The company has acquired more than 40 per cent shareholding in Lamp Caps and Filaments Ltd, a Bombay based company manufacturing turngsten filament coils and molybdenum wires, By this arrangement, the company will obtain its entire requirements of this important raw material at advantageous prices.

Hindustan Organic

The turnover of Hindustan Organic Chemicals Ltd has increased by 16.60 per cent to Rs 25.07 crores in 1978-79 from Rs 21.50 crores recorded in the previous year. This was achieved without raising the prices of any of the company's products, according to Mr P. N. Devarajan, chairman. He told newsmen recently that the export earnings have increased to Rs 90 lakhs in 1978-79 from Rs 75 lakhs recorded in the previous year.

The company's gross profit before taxation and investment allowance is also expected to be about Rs 5.50 crores in the year under review as per the preliminary working results. This was Rs 4.67 crores in 1977-78. Mr Devarajan said that the gross production during 1978-79 amounted to 68,790 tonnes as against 68,465 tonnes in the previous year. The capacity utilisation has also improved to 96.14 per cent from 95.68 per cent. He said that an amount of Rs 15 crore has been earmarked for the expansion of the company under the phase II programme. The work on schemes for doubling of production of nitrobenzene, aniline, hydrogen and acetanilide are already moving ahead as scheduled. The government has approved company's acetyl group project. This project with an investment of Rs 2.37 crore will have an installed capacity of 2,000 TPA for acetic anhydride and 1330 TPA for acetic acid.

Madras Aluminium

The Madras Aluminium Com pany (MALCO), is diversifying its activities into two new areas and its extrusion and continuous sheet casting projects are expected to be commissioned by the end of the year. The company has obtained a loan assistance of Rs 3.9 crores from financial institutions. Expansion of the aluminium plant is also being taken up. Discussions are in progress with the Andhra government for the supply of additional power to MALCO on a better arrangement for expanding the primary metal production capacity from 25,000 tonnes to 31,000 tonnes. MALCO already has a barter arrangement with the Andhra Pradesh Electricity Board by which 6,000 tonnes of aluminium is being bartered for 120 million units of power during the current year. The company is looking forward to the commissioning of the Tuticorin power project to improve power position in the state.

MALCO achieved the highest-ever production during 1978 at 23,117 tonnes against the previous best of 18,968 tonnes. After a break of 4 years, the company earned a net profit of Rs 111 lakhs after providing for depreciation for 1978. The directors have attributed the restricted profit due to the inadequate retention prices which are said to be incommensurate with the cost of production. Representations have been made to the centre to increase the retention prices.

Turnover during the year was Rs 2,121 lakhs (Rs 1,475 lakhs), profit before depreciation, Rs 310 lakhs (Rs 31 lakhs) and depreciation claimed Rs 199 lakhs (not provided for). As the net profit of Rs 111 lakhs is inadequate to wipe off depreciation arrears for the year 1977, in has seen carried forward to next year for appropriation.

Hindustan Dorr-Oliver

The chairman of Hindustan Dorr-Oliver, Mr B.V. Bhoota, has visualised good prospects for the company with the sizeable expansion of capacities in certain core sector industries, like phosphatic fertilisers, aluminium pulp and paper and minerals and hopes that the company should fare better in coming years.

The backlog of orders with the company at the end of February, 1979 totalled Rs 2251 crores. Of this, pulp and paper ground accounted for 41 per cent and minerals 17 per cent. The company has also received an order for construction of a two-train NPK plant for Rs 7.90 crores. The company is geared to furnish the largest size pulp washers and requisite bleach equipment to design and supply complete bleach systems.

The company is planning to invest in Patel Filters Limited which has been manufacturing the company's certain equipment, particularly, filters, for the past one year or so. This facility will not only enable the company to manufacture special equipment but also provide ground for some innovation in manufacturing to suit local conditions and available materials.

Travancore Electro

Travancore Electro-Chemical Industries has earned a gross profit of Rs 107.05 lakhs for 1978 against Rs 101 lakhs in the previous year. Sales have gone up from Rs 5.60 crores to Rs 6.35 crores. Dividend has been maintained at 20 per cent. A sum of Rs 16.04 lakhs (Rs 19.49 lakhs) has been transferred to depreciation, Rs 36 lakhs (Rs 35 lakhs) for taxation and Rs 1.85 lakhs (Rs 8.70 lakhs) for investment allowance reserve. Dividend will absorb Rs 21.95 lakhs (same). The company commissioned its plant for the manufacture of acetylene black during the year. The company has taken steps to increase the capacity of acetylene black plant to bring it to the licensed capacity of 1,000 tones per annnm.

S.S. Duncan

Schrader-Scovill Duncan has recorded satisfactory working results for 1978. Equity dividend has been stepped up from 16 per cent to 18 per cent. According to the preliminary statement, the company has earned a higher gross profit of Rs 89.37 lakhs in 1978 against Rs 86.43 lakhs in 1977. After providing Rs 5.58 lakhs (Rs 8.43 lakhs) for depreciation, Rs 1.65 lakhs (Rs 4.22) lakhs) for investment allowance and Rs 51.50 lakhs (Rs 48.23 lakhs) for taxation, and after some adjustments, a sum of Rs 19.41 lakhs (Rs 11.20 lakhs) has been transferred to general reserve. Dividend will absorb Rs 16.63 lakhs (Rs 14.78 lakhs).

Facit Asia

Facit Asia has reported improved performance for 1978. It has earned a gross profit of Rs 47.96 lakhs on sales of Rs 3.54 crores. For 1977, it incurred a loss of Rs 9.23 lakhs on sales of Rs 1.21 crores.

The directors have proposed a dividend of 12 per cent for 1978. The company skipped dividend for 1977 but paid a dividend of 10 per cent for 1976,

Foods and Inns

Foods and Inns has wiped out the accumulated loss for 1976-77 and the accounts for the year ended October, 1978, show a small surplus. The company's working during 1977-78 has resulted in a higher gross profit of Rs 11.11 lakhs against Rs 9.66 lakhs in the preceding year. After providing Rs 2.42 lakhs (Rs 2.89 lakhs) for depreciation, ther is a net profit of Rs 8.69 lakh (Rs 6.77 lakhs). After writin back Rs 21.97 lakhs being interest no longer payable to th bank and adjustments, ther is a surplus of Rs 2.27 lakhs The company's board has bee reconstituted recently. Th new management feels that th company is now on its way t recovery. It has plans to in crease the production of th company's existing product and undertake the manufac ture of some new products. I hopes to offer a reasonabl return to the shareholders i a short time.

RECORDS AND STATISTICS

Economic cooperation with ASEAN

Recognising the crucial role that the countries of the ASEAN and Hong Kong play in the Asian economy and the scope that exists for cooperation between India and these nations, an eight-member delegation was sent in November last by the Associated Chambers of Commerce and Industry (ASSOCHAM) to visit the five members of the ASEAN, namely, Indonesia, Malaysia, the Philippines, Singapore and Thailand, and also Hong Kong to assess the situation at first hand. The delegation was led by Mr F.A.A. Jasdanwalla. Its other members were : Mr A.L. Mudaliar, Mr Bansi Dhar, Mr M.L. Apte, Mr J. Sengupta, Mr B.R. Sule, Mr S.P. Virmani and Mr C. Balakrishnan.

This delegation has now submitted its report to the government. The reports point out that immense possibilities exist for enlarging the volume of Indo-ASEAN trade as well as for Indian investments in joint ventures in this regional and economic group.

Reproduced below are the principal conclusions and recommendations of the delegation.

SINCE ITS formation in August, 1967, the ASEAN has progressed from being a mere forum for discussions and formulation of ideas to that of an effective agency for the implementation of policies agreed upon by the member countries.

There is, therefore, an urgency with regard to the government of India establishing a formal relationship with this powerful and growing regional organisation and considering the feasibility to setting up a mission at the ASEAN headquarters similar to the one at Brussels and it is recommended that early action be taken in this regard.

The opening up of China as a market is both an opportunity and challenge for India. The recent visit of the minister of Foreign Trade of China and his meetings with the Chambers of Commerce in Hong Kong bring to the fore, the importance of Hong Kong serving as a clearing centre for the future.

Through quick and appropriate action alone can India look forward to acquiring an adequate share of the Chinese market and this requires the opening up of establishments with local tie up in Hong Kong.

Therefore, on the basis of an assumption of a friendly political relationship between India and China, it is recommended that trade and industry as well as the promotional agencies of the government should take up the task of identifying the specific areas for which opportunities exist in the field of trade and joint ventures and institute action in respect of them expeditiously.

Biggest Handicap

Lack of shipping facilities and infrequency of sailings and the high cost of shipping necessitated by the requirement to reship through Singapore or Hong Kong have been the biggest handicap in India's foreign trade with all the Asian countries and with the ASEAN in particular, Private sector shipping units are not likely to be able to cater to the requirement as their ability to bear the losses which are bound to occur in the initial stages atleast is quite limited.

Shipping Schedule

It is, therefore, recommended that even if it involves a system of subsidies, in the interest of establishing our credibility with regard to regularity in the export of our goods, government of India should seriously consider deploying the ships of the Shipping Corporation for the purpose and plan the movement of its fleet in a manner which will ensure its ships calling at the ports of ASEAN regularly at least once a month.

The achievements in the small-scale sector and the rural sectors in India are highly appreciated in almost all these countries visited and they are desirous of obtaining full and detailed information with regard to our policies and procedures which have led to such desirable results.

It is, therefore, recommended that the government of India should consider sending a team of experts sponsored by the Development Commissioner of Small-Scale Industries to visit these countries to study their systems and modes of operation and provide guidance based on the Indian experience.

Quite a large number of students, specially in Indonesia, have been waiting for clearance to come over to India for their technical training. Though negotiations have been going on for quite some time, progress in this regard is stated to be lacking.

The government of India should, therefore, look into this matter and solve the problem expeditiously,

Real Drawbauks

In spite of their emotive attachment to India, the lack of knowledge about the progress registered by India in the field of technology and the lack of intimate knowledge about India's potential are acting as real drawbacks. The existing understanding is of a very general nature and often, quite superficial.

The efforts of the Indian missions in these countries have been inadequate in effecting any promotional work. Neither adequate funds nor a committed personnel for commercial work is available. This position needs to be rectified quickly.

Though the frequency of visits by Indian trade missions have been on the increase in recent years, judged by the achievements of the developed countries, it is clear that India has to do much more than what is being done at present.

Therefore, it is very necessary for the government and the private sector to take up promotional efforts in this region much more seriously and without any further loss of time.

Delegation from the ASEAN Chamber of Commerce as also other national chambers should be invited to visit India as our guests and arrangements should be made for their visit to the important production centres in the country.

Exchange Visits

It is also very necessary for the government along with concerned organised interests in the country to invite teams of financial journalists from these countries as our guests to enable them to see for themselves our achievements in the various fields by visiting the factories and scientific institutions in our country.

India should seriously think in terms of setting up an information centre in any one of these countries manned by personnel with imagination and necessary understanding and commercial culture for helping both the private sector and the government departments to keep abreast of the emerging opportunities for trade and investments and serve as a clearing house of relevant economic information.

India should hold workshops and seminars in every one of these countries in rotation, at least once a year where technocrats and scientists of repute from India who would explain the achievements in India as well suggest improvements in the fields of technology relevant to their economies.

While there has been general appreciation of the visits made by Indian governmental authorities, it has been pointed out that these are seldom followed up. In particular, reference was made to the visit made a few years back by the Salt Commissioner of India to Philippines and the authorities in the Philippines are quite bewildered on the lack of any subsequent follow up.

It is recommended that the government of India should immediately attend to this matter.

ASSOCHAM has been repeatedly pleading for the establishment of a specialised credit institution like an Export Import Bank. The early formation of such an organisation will provide the facilities to Indian joint ventures to tide over problems of credit which have arisen in the various member countries of the ASEAN.

Three Envelop System

The "three envelop" system now in vogue in the Asian Development Bank does not provide equal opportunities for India as the tenders are decided upon only with reference to the degree of technology and without regard to the cost or value of the project. Unless decisions are made with due regard to the cost of the project as well, developing nations such as India will continue to be at a disadvantage in being successful bidders.

Therefore, the government of India should take up the issue with the Asian Development Bank and convince them that the cost aspect should be given sufficient weightage while coming to decisions in respect of acceptance of world tenders.

Our discussions early revealed the limitless scope for establishing joint ventures both in the ASEAN as well as Hong Kong.

In the ASEAN, a system of preferential tariffs for intra ASEAN trade is now getting evolved and a degree of complementarisation through industry clubs has also started emerging. It is ascertained that joint ventures established in these countries would rank as national projects and be entitled to preferential treatments with regard to tariffs as well as control over management in the projects in these areas.

In view of this, industry and trade, irrespective of the sector to which they belong, have therefore to act promptly if India's foreign trade with, and investment in the ASEAN are to develop significantly.

While there is general appreciation of the modified policy measures relating to revised guidelines issued in October, 1978, allowing for even export of capital for establishment of joint ventures abroad, it is felt that the relaxation should apply even in respect of capital required by the existing joint ventures.

Modify Guidelines

The government should, therefore, modify the guidelines issued and clearly bring out that export of capital required by existing joint ventures will also be allowed after scrutiny by the authorities.

Discussions with the ASEAN clearly revealed the fact that technology available with the developed countries like the US and even Japan was too advanced and these countries require essentially intermediate technology for their small and medium units of the type which India can provide. This great opportunity, therefore, could be fully utilised to mutual advantage.

At present, shipping documents are required to be routed through banking channels and often times documents are not received by the time the goods arrive causing problems to Indian joint ventures particularly in Malaysia.

Relaxing Rules

It is, therefore, recommende that government should consider relaxing the rules in th case of joint ventures, particularly where the component are received by the joint ventures from their parent companies and allow receipt c original documents directl from shippers in India.

Often times, on account inadequate shipping facilitie joint ventures are perforce required to purchase large quantities of materials locally, ofte at an additional cost resulti in reduction of profits. Fr quency in shipping can be positive help to the joint ve tures which will then be in position to import such mat rials from India and ta advantage of the lower ra material and labour costs pr valent here.

Raw materials such as nc ferrous metals are cheaper o side India. However, convers of the same into finished co ponents is cheaper in In than in those countries. Ind joint ventures could take vantage of this situation exporting inexpensive materials to the parent co panies in India for process and take them back as finis components. Special proced for such imports and expo need to be evolved cut down lengthy paper work loss of time.

The requirement of im

ters having to deposit 40 per cent of the value of letter of credit opened by them along with the recent devaluation announced with effect from November 15, 1978 have created enormous problems of liquidity for the existing joint ventures in Indonesia. Discussions revealed that Indonesia may not be averse to the opening up of branches of banks by developing countries such as India.

It is, therefore, recommended that the government of India should immediately take up the question of establishing Indian banks in Indonesia. Efforts should also be made by the government to enable opening up of branches by the Indian banks in the other member countries of the ASEAN as well where, at the moment, it is not being allowed.

Cash-Flow Problems

While the Indian joint ventures are finding themselves in a difficult cash flow position, it is surprising that the amount of Rs 50 crores credit provided by government of India to Indonesia still remains unutilised. Strangely enough, while this sum has not been put to use, Indonesia has recently floated bonds in Germany and Japan of $50 million each.

The government should take up the issue of non-utilisation of credit provided by India and respond positively to the scope which seems to exist for renegotiations of the terms on which the credit has been granted.

Indian expatriates working in joint ventures are faced with the problem of education of their children as also tax problems on their return on account of their lack of awareness of the changes in the statute.

It is, therefore, recommended that government should show special consideration and give priority to the children of expatriates in the matter of admission to educational institutions in India, as well as appoint special officers to assist the expatriates in completing the formalities with regard to tax requirements.

While the possibility of establishing joint ventures in a number of industries in agricultural-oriented, mineral-oriented and engineering industry-oriented product exist, the following items have been identified:

Indonesia: Sugar machinery, automobile ancillaries, textile machinery, palm oil manufacture.

Malaysia: Manufacture of palm oil, billets, chemicals, automotive power, transport equipment, industrial machinery, phosphate, assembling of electronic components, production of machine tools, construction companies, consultancy services.

Philippines: Cocoa plantation, feed ingredients and food processing, animal feed, agricultural machinery, agricultural inputs, tractors, jeeps, machines for preparing the land for harvesting as also for storage, small sized oil expeller especially coconut oil refining machines, water treatment and pollution control equipment like filtration plant, refractories, dyes especially coaltar dyes, carbide tools, transmission line towers, textile auxiliaries, polythene film, frigates, alcoholic peroxides, electronic motors for automotive use, piston rings, pumps for all kinds of liquids and antibiotics.

Singapore: Consultancy ser-

Indian Council of Agricultural Research

Suggestions Invited for Amendment of Rules and Bye-Laws

The Indian Council of Agricultural Research, which is a **Society** registered under the Societies Registration Act 1860 has been carrying on research, education and extension in the field of agriculture, animal sciences and fisheries since 1929. Its Headquarters **is located** in Krishi Bhavan, New Delhi. At present it is supporting 21 Agricultural Universities and 29 Central Research Institutes covering a wide range of farming systems in the country.

The President of the ICAR Society Shri S.S. Barnala, Union Minister for Agriculture & Irrigation, has set up a **Committee under the Chairmanship of Shri Bhanu Pratap Singh, Minister of State for Agriculture & Irrigation,** and Vice-president of ICAR, to review rules and bye-laws of the ICAR society and to suggest such amendments as may be desirable from the point of view of improving the efficiency and effectiveness of the organisation.

In order to assist the Committee in its work, all those who are directly connected as well as all interested in the ICAR Society, such as staff of state governments, Agricultural and general Universities, Research Institutions, Associations of ICAR employees, and representatives of farmers and rural interest are requested to send their **suggestions to the undersigned by May 15, 1979.**

A copy of the existing rules and bye-laws of the Society can be had by writing to Shri A. S. Bhatnagar, Legal Adviser to ICAR, 318 Krishi Bhavan, New Delhi.

(S. S. Dhanoa)
Secretary
ICAR
Krishi Bhavan
New Delhi-110 001

davp 764 (1)/79

vices, manufacture of transport equipment, metal fabricators, pipe lines, ancillaries and cargo equipment.

Opportunities also exist in the field of petroleum refining, ship-building and repair, oil rigs, manufacture of plastic, rubber moulds, tools, die making, electroplating, manufacture of synthetic resins, locks and fashion garments.

Thailand: Small-scale agro-based industries specially in the field of animal food processing, tapioca and maize processing, wood working and furniture manufacturing, meat processing starting from cattle farming, small agricultural tractors, small automotive ancillary units, small units for providing chemicals for increasing agricultural products, diesel engines, consultancy services for implementing World Bank/Asian Development Bank aided projccts.

The sudden concellation of export orders in certain instances because of emerging shortages in India have caused irreparable damage with regard to our credibility and there have been suggestions earnestly made that agreements entered into once should never be revoked and local shortages should be taken care of through imports as cancellation of any agreement tends to create a negative factor in trading relations with these countries.

Indian exports have not been able to take full advantage of the growth benefits of joint ventures because of the following reasons:

1. Lack of marketing strategy;

2. Disinclination of Indians to stay for longer periods and conduct project studies by engaging competent consultants;

3. Inability to innovate as the product life of goods in India was unduly longer whereas the buying habits undergo quick changes; and

4. Lack of sufficient capital being brought in the initial stages causing problem of liquidity.

There is an absolute necessity for India to develop a marketing strategy through aggressive selling.

In view of the opportunities indicated in the various countries for export of commodities such as Indian wheat, sugar, rice and minerals, the FCI, STC and MMTC should immediately start negotiations and conclude agreements for the supply of these commodities.

The possibilitus of Malaysia, Thailand and the Philippines being able to increase their supply of palm oil and other edible oils as also pulses have been indicated and if appropriate action is taken at the state level, a vast era of larger trade can open up which would bring into India these much needed essential commodities.

Though the frequency of visits by Indian trade missions have been on an increase in recent years, judged by the activities of the developed countries which have been able to achieve substantial improvements, it is clear that India has to do much more than what is being done at present.

Government should seriously consider arranging more frequent exhibitions as well as the opening up of showrooms and information centres in one or two countries of the ASEAN on a permanent basis which could serve as a shop window of the potential of India.

The individual items identified in the course of discussio in these countries in respect which possibilities exist f expansion of Indian trade a

Indonesia: Wheat.

Malaysia: Iron ore, suga rice and tea.

Philippines: Iron and st products, medicinal produc parts and accessories of certa motor vchicles, glassware, a glass products, animal fe agricultural machinery, agric tural inputs, industrial sal tractors, jeeps, machines for p paring the land for harvesti as also for storage, small-siz oil expeller especially cocon oil refining machines, wa treatment and pollution co trol equipment like filterati plant, refractories dyes espe ally coaltar dyes, carbide too transmission line towers, te tile auxiliaries, polythene fil frigates, alcoholic peroxid electric motors for autom tive use, piston rings, pum for all kinds of liquids, an biotics and brass tops.

Singapore: Metal fabricati pipelines, cargo equipm and rice.

Thailand: Wheat, engineer products, automotive com nents and diesel engines.

India's Trade with the ASEAN

(Rs crores)

	1975-76			1976-77			1977-78		
	Exports	Imports	Balance of trade	Exports	Imports	Balance of trade	Exports	Imports	Balance of trade
Indonesia	51.7	3.4	48.3	60.7	2.9	57.8	40.7	23.1	17.6
Malaysia	32.9	14.6	18.3	29.8	33.9	—4.1	33.5	221.0	—187.5
Philippines	11.7	4.5	7.2	22.6	1.0	21.6	13.5	1.0	12.5
Singapore	53.1	11.7	41.4	57.0	8.8	48.2	69.5	51.0	18.0
Thailand	17.2	22.0	—4.8	25.7	4.9	20.8	25.9	6.5	19.4
ASEAN	**166.6**	**56.2**	**110.4**	**195.8**	**41.5**	**144.3**	**182.6**	**302.6**	**—120.0**

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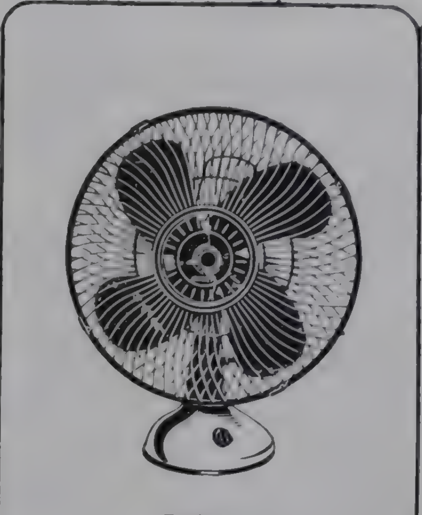
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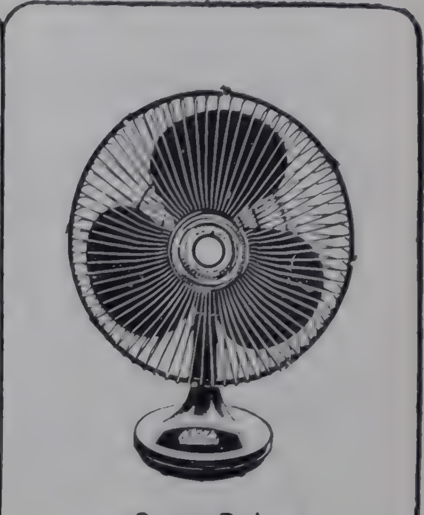
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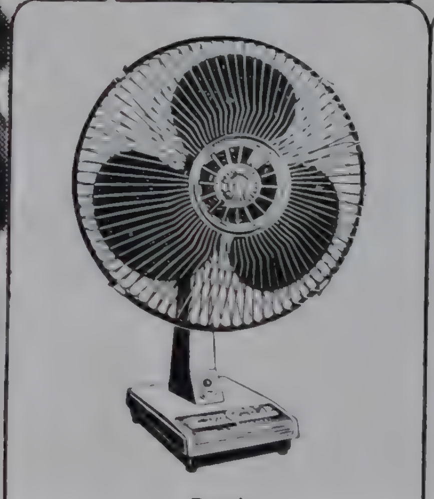
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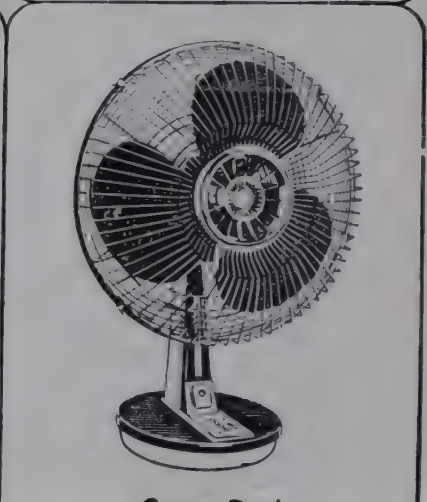
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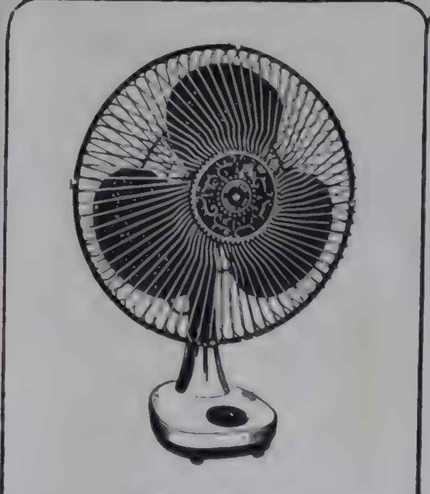
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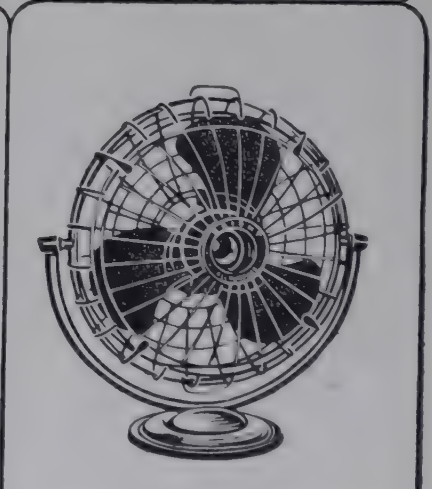
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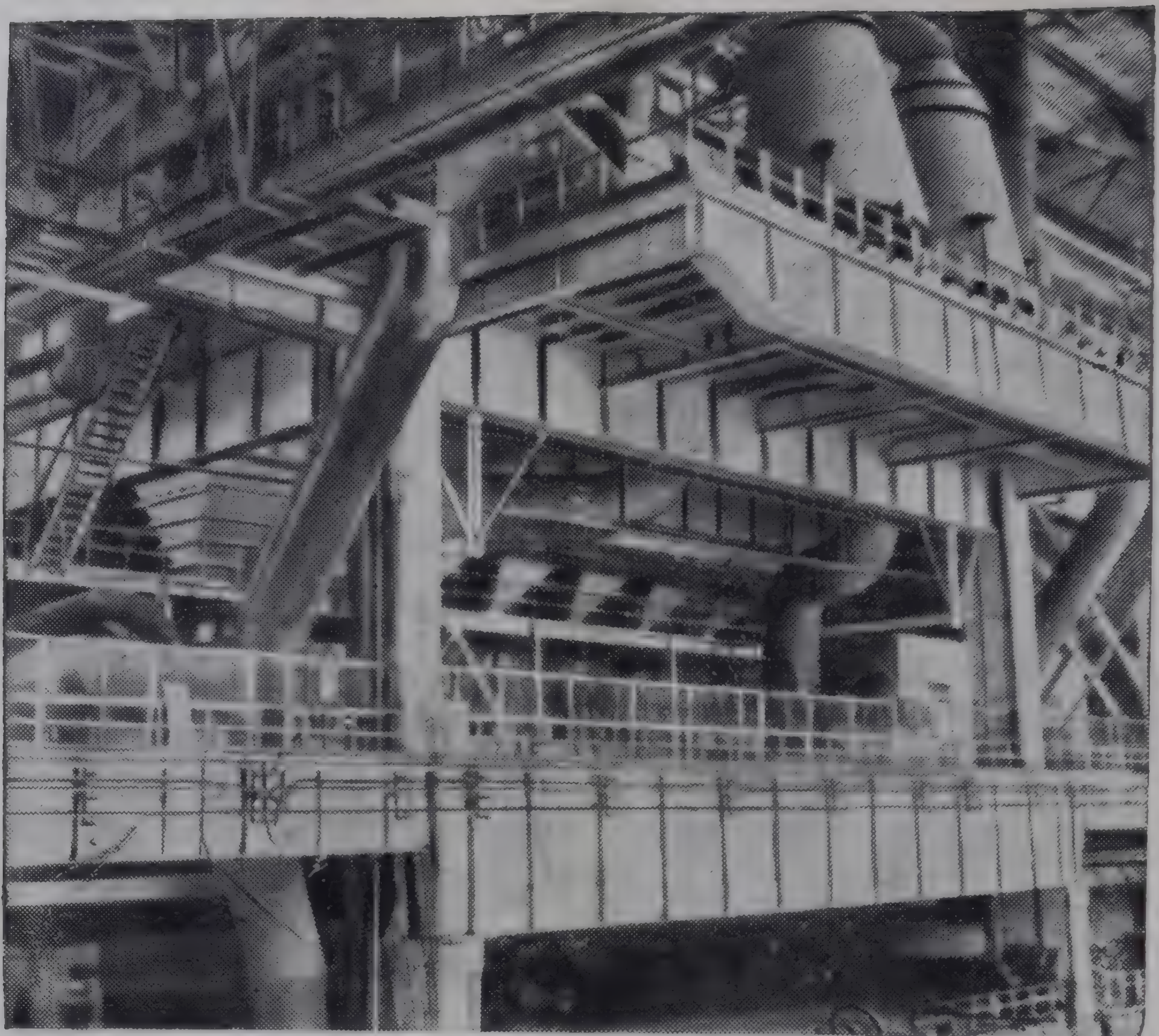

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NT-1-79

Now loaves and fishes

JANATA POLITICS is no longer even a *khichri* pot. It is now simply a bowl of loaves and fishes. We are indebted for this information to one who is himself a Janata leader—Mr Piloo Mody, a honest man fallen among thieves. Oh! what a fall was there, my countrymen!

According to Mr Mody, there is no possibility of the Janata party breaking up and his reasoning is that "nobody would like to leave a feast of *luddoos* even if he is a diabetic patient or dies of it." In other words, Janata politics has now reached the lowest common denominator. Especially after Mr Raj Narain found himself left out in the cold, no Janata politician in office is prepared to risk his plate of *luddoos* or his bowl of loaves and fishes.

Mr L.K. Advani no doubt was serious about resigning on a particular occasion, but he was not really running any risk since Mr Morarji Desai, obviously, could not have let him go then, as Mr Advani's reason for wanting to leave was that it had become impossible for him to function effectively as leader of the house in Rajya Sabha because of the deadlock engineered by the opposition's allegations against Mr Kanti Desai.

Mr George Fernandes has been threatening off and on to resign, but this is just his inferiority complex. His latest stunt is to let it be known to an obliging journalist that he may not be able to continue in the government in case the BHEL-Siemens deal does not go through or is only approved by the cabinet after chopping and changing. Mr Biju Patnaik is being harassed and humiliated by his own partymen to an extent which must rub painfully even the thick skin he has developed during his many years as a political operator frequently on the run. Mr Purushottam Kaushik seems determined to pull down Indian Airlines before he goes down himself.

Among the star non-performers, Mr Brijlal Verma at least has the excuse of being relatively harmless. Really pitiable, of course, is Mr P. Ramachandran's condition. People have given up even complaining about his inertia or incompetence as Energy minister. He is suffering the supreme insult of being ignored. As for Mr Ravindra Varma, he is generally dismissed as a household pet at No 1 Safdarjang Road; Jawaharlal Nehru's golden retriever was of course much more photogenic.

President Sanjiva Reddy, during one of his celebrated exercises in loud thinking, advised the janata (i.e., the people) not to take seriously ministers who run to be press with their resignations. He said that they would not go. He could have added that even if they did or were pushed out, they would manage to come back by hook or crook. Meanwhile, Mr Charan Singh complains that "my dream of a homogeneous and integrated Janata party has not been fulfilled." The fault is that of the dream merchants. They have allowed themselves to be oversold. Illusions must always be strictly personal and private. Wishful thinking does not pay in politics. Nor does moralising. In Lucknow, Mr Charan Singh was asked last week whether it was not the case that, if the issue of the Janata-RSS relationship was not being settled, it was because the anti-RSS section in the Janata party was weak and finding itself isolated. He replied piously, "The difference between the truth and a lie is not determined on the basis of strength". But, how many battalions does the Pope have ? After this, it should be refreshing to hark back to Mr Piloo Mody's down-to-earthiness. We must look to *luddoos* and to very little else for making the Janata party safe for democracy, on *vice versa*.

Count your DICs

THE LATEST progress report on the District Industrial Centre (DIC) programme, given by no less a person than the Industry minister, is interesting in many ways. For one thing, as could be expected of Mr George Fernandes, a spate of statistics has been let loose on us. This does not, however, serve as an effective diversion from the central fact that this programme is very much in its infancy. The pudding is still cooking and we must wait for some time before we have a proof of it by getting a chance to eat it. The programme was mooted by the industrial policy statement of the Janata government. This statement is now nearly a year and a half old. Mr Fernandes says that his ministry began organising the DICs in May last year. About 100 DICs were sanctioned in the first instance and the same number of general managers and seven times that number of functioning managers had to be recruited and trained. There are 30 training units in the country which are spread over as many states. The general managers and the functioning managers—by the way don't the general managers "function" also?—were given specialized training at these units and it took them about four months to become functional and join their posts. This means that the programme has got going at the field level only from August last year. It is therefore too soon for its record to be reviewed, let alone boosted.

This, however, has not deterred Mr Fernandes from swelling up like a bullfrog. He tells us that in addition to the first lot of 100 DICs, another 246 have been set up and that out of the total of 346 DICs which dot the map, 164 DICs have reported that they have identified 52,000 entrepreneurs, prepared 13,400 project profiles and have been instrumental in establishing 36,660 units. They have also claimed to have made available Rs 47 crores of financial assistance to the small entrepreneurs in the rural areas of the districts concerned and provided Rs 46 crores seed money or margin money to 1,686 units. The Industry minister's enthusiasm, evidently is contagious and so is his flare for figures. These 164 reporting DICs have claimed to have created employment for 116,465 persons. Who would now be so uncharitable as to say that the Janata time-table for the abolition of destitution or unemployment can be taken only about as seriously as the Indian Airlines flight schedules?

trustful soul

These dynamic DICs again have prepared their action plans for 1979-80, visualizing the establishment of 90,814 units. At this rate and on the assumption that all the DICs that have been set up and the DICs that will be coming up in the future similarly resolve to do or die for their minister, it will not be long before Mr Fernandes finds that he will have to computerise the whole operation. This does not of course mean that the minister should wait for the DIC growth statistics to be gathered and tabulated. Trustful soul that he is, he could believe what he is hopefully told and what he is being told by these 164 dynamic DICs is that they are planning an investment of Rs 181 crores, which should provide employment to almost 400,000 people. As for the doubting Thomases, the minister has graciously allowed that they may suspend their belief for "one year from today". Meanwhile his ministry is producing statistics every month and to those that ask for them they shall be given.

It is interesting to note that the states where conscious interest has been shown in the DIC programme are Kerala and West Bengal, although the motivation seems to be different as between the two. The Keralite response has not been particularly pleasing to the Industry minister. In that state, government employees "of a certain department" went to the high court with a writ application praying that a direction be issued reserving the DIC jobs for them. Government employees in some other states, Mr Fernandes ruefully said, had also taken the cue. This is too bad, surely. It is not only the big businessmen who embarrass the governmen with writ petitions to the high courts.

Very much more welcome is the Wes Bengal experience where the state government—and here we need not rely wholl on Mr Fernandes—seems to be genuinel interested in making a success of the DIC programme. Quite possibly the Jyot Basu ministry, conscious of its limitations has chosen to be modest about its industrial ambitions. In any case it has th satisfaction of having received from M Fernandes a certificate that one of th better operated DIC units is the one i the 24 Parganas. The action plan produced by this super-DIC had so impressed Mr Fernandes that he held it as a model for other DICs to follow—an "follow" was what they did, so much s some of them produced even better actio plans.

There is, however, a danger looming on the horizon. The industrial policy had envisaged only 400 district centres since there are only as many districts in the country and its expectation was that these 400 centres would be set up over a period of four years on the basis of an average of 100 DICs per year. The government did not know its Industry minister. He has set up 346 DICs in the very first year. There are hardly 50 or 60 districts still to be serviced and it will be only a matter of months before every district in the country has its DIC. What then is Mr

Well, I won't be surprised if some bright chap suggests captive power plants for small units

!
MANY SMALL UNITS HIT BY POWER CRISIS
Keny

Fernandes to do? At least to help him keep busy setting up more and more DICs, India should persuade Pakistan, Nepal, Bangladesh and Sri Lanka to join it in a limited economic union for the specific purpose of promoting a subcontinental DIC network.

Rogue elephant

The "Face To Face" programme on Delhi Doordarshan on May 4, which featured Mr George Fernandes, is a frightening repetition of the kind of the abuse of the media by the government of the day we were made familiar with during the emergency. It may be recalled that the Press Information Bureau and the then *Samachar* were pressed into service to do adverse propaganda against the management of a jute mill. That was a case without precedence when government or government-controlled communication agencies gave publicity to allegations against an industrial enterprise in the private sector with a view to creating prejudice in the mind of the public as a preliminary to government taking over that unit. The present Industry minister has now sought to exploit the government's television network in the same outrageous fashion, the target of his calumnies being two of the "Birla companies". Surely, if Mr L. K. Advani, the minister for Information and Broadcasting, desires to protect his reputation for decency in public life he should come forward and denounce the gross abuse of TV facilities which Mr Fernandes is undoubtedly guilty of. Not only did Mr Fernandes try to defame the managements of the industrial units concerned but he also persisted wilfully in misrepresenting what Mr G. D. Birla had said in his widely noticed speech at the recent annual session of the Federation of Indian Chambers of Commerce and Industry.

Despite clarifications from various sources, Mr Fernandes persisted wilfully in giving a false interpretation of Mr Birla's observations in the course of that speech. What Mr Birla had said was that the younger generation of industrialists particularly should neither depend too much on the government for assistance nor become frustrated because of problems or difficulties caused by government policies or political attitudes. He appealed to them to concentrate on efforts to solve the people's problems of poverty and unemployment by producing more and investing more. How anyone who has the interest of the country at heart can take objection to this patriotic lead given by the nation's foremost industrialist is difficult to understand, except on the assumption that Mr Fernandes is trying to play a game of his own from motives which he may not admit to but which are not difficult to decipher. Relying on the Goebbelsian formula to lie big and keep on repeating the lie, he is spreading the canard that Mr G. D. Birla asked or advised industrialists to violate the government's licensing or other industrial regulation laws. The minister did this while talking to journalists, he did this in parliament and now he has done it on TV. Never has any government of this country been disgraced to this extent by a minister trading like this in falsehood.

an eyesore

His jaundiced eye was surely an eyesore. He categorised the rates charged from time to time by the UP state electricity board for electricity supplied to Hindustan Aluminium as "laughable", insinuating that the company has been unduly favoured. The truth is that it has been a matter of national policy to charge the power-intensive aluminium industry for electricity on the well-known principle of "what the traffic can bear". Mr Fernandes knows that other aluminium manufacturers have received similar or even more favourable treatment in the matter of the pricing of electricity in other states. He is also aware of the fact that the rate currently being paid by HINDALCO for the electricity supplied to it has been settled by the central government. It is also within his knowledge that the price of aluminium has been controlled or regulated with reference to manufacturing costs, including the electricity tariff. It cannot be ignored either that the aluminium industry has been required to provide state electricity boards with their requirements of electric grade aluminium at concessional prices. Having all these facts with him he has still chosen to falsify the picture.

Mr Fernandes has been even more uncharitable towards Gwalior Rayon, charging it with raising its installed capacity in violation of the government's industrial licensing provisions or procedures. The truth is that the company has stepped up its production of an essential commodity, staple fibre, which is in short supply and is an essential raw material for the man-made fibre industry, the economic importance of which is emphasized by the Industry minister himself whenever it suits his purpose to do so. This increased production has all along been within the knowledge of the concerned authorities in New Delhi and in fact the company has been exhorted from time to time to maintain its output at its maximum level.

talk of "punishing"

When all the relevant circumstances are taken into consideration it would be difficult or indeed impossible to bring any charge of illegal practices against the company in this context. Mr Fernandes knows this only too well and he no doubt realises also that legal opinion within the government will not support any proposal he may make for taking the matter to the courts. In his telecast and on other occasions he has talked of "punishing" the company by invoking the penal provisions of the Industries Development and Regulation Act, but even he must concede that it is the courts which must, in the last resort, pronounce on the legality of administrative orders.

The truth is that the Industry minister is behaving like a rogue elephant. He started off by doing propaganda for the government take-over of the TISCO, TELCO and HINDALCO. Simultaneously he also canvassed for the nationalization of the automobile industry. These campaigns flopped, one after the other. Then he turned to Gwalior Rayon and began to demand that the government should take it over since, as he alleges, it has violated industrial licensing regulations. Here too he has not been able to persuade the cabinet that there is any sense or substance in his proposal. The Finance ministry has reportedly taken the stand that, in addition to various other

Service
12 JUN 1979

objections in terms of public policy, the taking over of Gwalior Rayon on the excuse given by Mr Fernandes, could be arbitrary and difficult to justify since the factory is running efficiently and since there are other cases of industrial units producing in excess of installed capacity in circumstances similar to those applicable to Gwalior Rayon.

Having thus been checkmated, Mr Fernandes has now started talking of an imagined need for nationalizing the entire man-made fibre industry. Since he has not so far cared to spell out this manoeuvre publicly, comment may be postponed, but it is necessary to state here and now that the Industry minister is betraying his portfolio when he indulges in persecuting industrial units which produce to their maximum capacities goods some of which are even being imported. He could put his time to better use by having his ministry investigate why licensed capacities remain under-utilized in many cases and what could be done to correct this situation which is not in the public interest.

Wheat price puzzles

THE CURRENT controversy over allowing higher procurement prices to farmers if they defer the marketing of part of their produce to the lean season is largely pointless. The proposal made by the deputy prime minister (F), Mr Charan Singh, and the minister of state for Agriculture, Mr Bhanu Pratap Singh, that the procurement price of wheat should be raised from Rs 115 per quintal to Rs 121 if a farmer brings his produce during the mid-season and Rs 127 if he markets it at the end of the season, is reported to have received only lukewarm response from the Planning Commission for it will help only the big farmers.

It is true that only those who can afford to hold back their stocks and store them on their own will be the beneficiaries of such a proposal and most of them, undoubtedly, will be the big producers. But the proposal can definitely be justified on economic grounds. The case for allowing a higher procurement price after the first flush of arrivals in the market is based on the fact that purchases by the governmental agencies in the lean season would obviate considerable storage expenses as well as interest charges on the borrowed funds of the procuring agencies. If the market arrivals can be staggered it, indeed, should have a very salutary effect on the operations of the Food Corporation of India (FCI), as well as on the credit requirements of the food sector.

excessive differential

The differential suggested by Mr Charan Singh and Mr Bhanu Pratap Singh might be somewhat excessive. But the proposal needs to be pursued as what the two ministers have asked for is not anything extraordinary. Such a proposal was put forth by this journal nearly two years ago. Even at present, the FCI has to compensate the state procurement agencies at the rate of 35 paise per quintal per month as storage charges and 11 per cent interest per annum if the supplies are made available to it by the state agencies after July 31. A similar facility surely can be provided to the agriculturists.

It is presumptuous to assume that only the bigger farmers will benefit from this facility. The medium-scale agriculturists, who can afford to have some stocks at their own premises, too can benefit. Any fears that the introduction of such a provision in the procurement scheme would hinder market arrivals in the years of lean production seem to be unwarranted. The arrivals in such years are bound to be affected even otherwise.

The proposal assumes significance at the present juncture due to two factors. First, the pattern of procurement during the past three years has been such that a substantial portion of the covered storage available with the FCI has been immobilised by rice stocks. Second, the recent strike in the jute mills has led to some difficulties in arranging gunny bags for the state procurement agencies. The FCI, of course, is understood to have made adequate arrangements in this regard and is also judiciously resorting to a second-time use of the gunny bags.

The data available suggests that wheat stocks with the FCI have gone down progressively since 1977. On April 1 that year, they amounted to 9.7 million tonnes. They came down to 7.2 million tonnes a year later and 5.1 million tonnes on April 1, 1979. The stocks of rice, on the other hand, went up from 5.3 million tonnes on April 1, 1977, to 5.8 million tonnes on April 1, 1978, and further to 8.8 million tonnes on April 1, 1979. The covered storage available with the FCI on March 1, 1979, aggregated to 15.313 million tonnes. This means that more than half of this storage has been taken by rice stocks. The current procurement of wheat, thus, will have to be by and large kept under CAP in the open. The CAP storage capacity of the FCI aggregated to 6.617 million tonnes in the beginning of March. Storage capacity has also been built up at the states level by the concerned states which engage themselves in procurement operations, the total capacity available to them being around 2.612 million tonnes—1.1 million tonnes covered (both owned and hired) and the rest in the open.

decelerated offtake

The increase in rice stocks over the last three years is attributed to encouraging yields resulting in easier availability in the market. Whereas wheat consumption has tended to grow, with a corresponding upward trend in the offtake from the public distribution system, the off-take of rice from the public distribution system has decelerated. This apparently is the reason way the central government preferred to make available rice to the Soviet Union in exchange for 600,000 tonnes of crude oil in respect of which a deal has been finalised recently. A step-up in exports of rice under the commodity loan programme or otherwise cannot be ruled out

The procurement operations during the last kharif season and the current rab season have been very heartening, As against 4.38 million tonnes of rice procured up to May 7 out of the 1977-78 khari crop, the procurement up to that date ou of the last year's kharif has been of th order of 5.73 million tonnes. The purchases have gone up both in the case of paddy and clean rice—from 1.29 million tonne to 2.84 million tonnes in the case of th former and from 3.52 million tonnes t 3.83 million tonnes in the case of the latter

Upto May 7, 1.13 million tonnes of wheat had been procured during the current rabi season, as against 0.66 million tonnes in the corresponding period last year. It is hoped that 6/6.5 million tonnes of wheat might be procured this year, as against 5.5 million tonnes last year. The arrivals of wheat in the market this year have been significantly larger than last year in all the states, particularly in Punjab, Haryana, Uttar Pradesh and Rajasthan. With the expected procurement of 6/6.5 million tonnes, the total foodgrains stock with the government will continue to be comfortable, despite the limited exports that have been authorised.

Coking coal imperatives

REVIEWING CABINET decisions is not an uncommon practice. But the assurance given by the prime minister, Mr Morarji Desai, to the executive of the Janata parliamentary party a few days ago that he himself would go into the question of coking coal imports appears to be rather odd, considering that this review is to be conducted within a few months of the allowing of these imports, without waiting to see whether the purpose for which they were permitted has been fully served or not. Of the one million tonnes contracted in terms of the cabinet decision, slightly over 1.25 lakh tonnes have so far arrived. The remaining supplies are to be available during the course of the current financial year. It, therefore, is too premature to assess the usefulness of these imports. Probably the review is being undertaken by the prime minister for considerations other than purely economic.

The critics of the decision at the Janata parliamentary party have just reiterated the objections voiced before imports were allowed, namely, the imports would cost nearly four times the price of the indigenous material and if the local coking coal was not of the requisite quality, washing of this coal could be made more stringent. The only additional argument reported to have been put forth is that the ministry of Steel went ahead with the arrangements for imports even before the cabinet actually authorised them.

Ostensibly, the first two objections have a good deal of weight. The costly imports of coking coal would not only have meant subsidising exports of steel (as had been alleged by the ministry of Energy when the issue was being debated early last year) but also curtailment of employment opportunities in the coal mining industry. Further, technically, washery operations could be attuned to lowering the ash content to 17 per cent or less from about 18 per cent as had been the case then. But this would have apparently meant lower production. In the currently changed circumstances, when exports are being restricted to only the quantities already contracted, the former objection has lost its validity. The latter is technically valid even now.

The imports, however, were allowed by the cabinet, though on a trial basis, on the consideration that the blending of low ash imported coal would improve the working of the integrated steelworks. The higher costs of imports would, thus, be offset by increase in the production of steel. Imports were also justified on two other counts. First, they will supplement the availability of this essential input from domestic sources. Second, they will help in conserving our known reserves of coking coal which at the exploitation rate of the requirements of the mid-eighties would last for not more than 40/45 years. Through limited imports, it was argued, the life of the known reserves could be increased to about 60 years.

That there is enough force in the above arguments should be evident from the fact that even the current Plan document recognises the need for conserving mineral resources, including coking coal, the known reserves of which are none-too-abundant. It envisages a steady build-up of imports of coking coal to one million tonnes per annum by 1982-83 and three million tonnes a year by the close of 1987-88.

There can be no denying the fact that the one million tonnes imports authorised so far will go some way in mitigating the hardship caused to the integrated steelworks by inadequate availability of inde-

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genous supplies. With the shortages of steel developing in the country, not only are the exports being curtailed to the quantities already contracted but also imports are being stepped up. To the extent imports of coking coal will help raise the production of steel, it should be in the interests of the economy. Besides keeping up the production of other inputs of the steel industry, these imports would cost just a fraction of the finished steel that will have to be imported to make up the loss in domestic output.

The critics of coking coal imports perhaps have preferred to shut their eyes to this economic rationale of the import programme. They seem to have further glossed over the fact that the shore-based steel works have been thought of in view of the necessity of importing coking coal in the future.

The brickbats being hurled at the ministry of Steel for trying to tie up coking coal imports even before the cabinet authorised them are unwarranted for the simple reason that the provision in the Plan document preceded the cabinet decision by several months, indicating that the thinking had crystallised long before the formal signal for imports was given. In trade matters, it is not an unusual practice to tie up supplies before the formal authorisation so that spurts in prices can be obviated.

UP scrapes the barrel

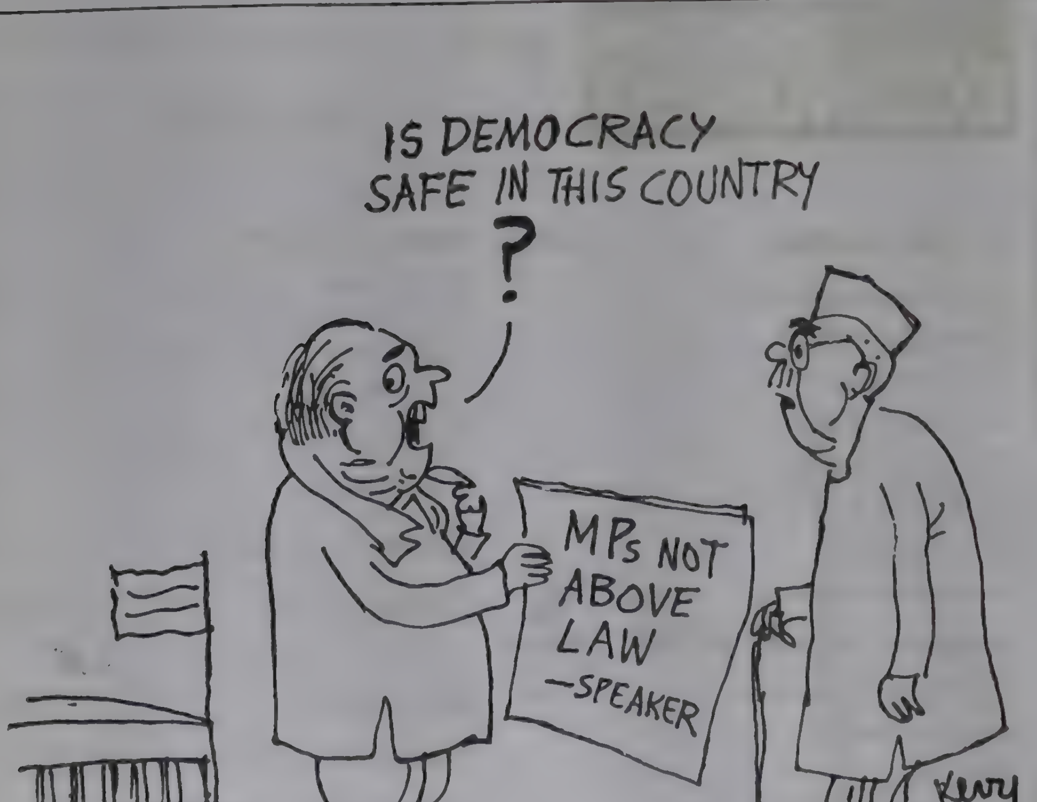
UP THAT is Bharat is living up to its description. Its budget for 1979-80 labours under compulsions similar to those which the central budget has had to cope with. The revised estimates for 1978-79 showed a deficit of Rs 79.67 crores. The budget for 1979-80 estimates receipts at Rs 1,781 crores and expenditure at Rs 1,906 crores, the resultant deficit being Rs 125 crores. Despite minor book-keeping adjustments, the Finance minister, Mr Madhukar Dighe, has been faced with a large need for additional resources. Predictably, he has tried to lighten his burden at least notionally. Economy in expenditure and a campaign to realise government dues are hopefully expected to yield Rs 57.50 crores. This apart, the operative part of the budget is an additional taxation of the order of Rs 50.20 crores in a full year, the accrual to the revenue during the remaining period of the current financial year being placed at Rs 37.50 crores.

Imposts on industrial alcohol and denatured spirit are relied upon for Rs 11.45 crores of additional revenue. Besides the levy of purchase tax at Rs 1.10 per litre on alcohol for industries, there has been a change to an *ad valorem* basis in the fixed rate of fee on licences payable by wholesale and retail dealers in denatured spirit. The sales tax on Indian-made foreign liquor will be raised from 20 per cent to 25 per cent and a surcharge of 25 paise is to be collected on cinema tickets costing up to one rupee, while the rate of surcharge on tickets costing more than one rupee will be raised to 50 paise.

additional levies

Industrial consumers will pay electricity duty at one paisa more per unit whil agricultural consumers will be payin this duty for the first time at the rat of one paisa per unit. Additional ta will be levied on all taxable trader excepting traders of notified commo dities. Tax exemption granted t handloom silk fabrics has been res cinded and instead a purchase tax at th rate of two per cent at the first point o purchase will be imposed. Goods certi fied by the Khadi and Gramodyog Com mission are, however, exempt from thi tax. The decision to bring under cont rol all cattle markets in that stat has also some revenue significanc Higher rates of stamp duty are propose and an education cess, which may yiel Rs 15 crores, is to be levied. On th expenditure side, the Finance minist has proposed a number of reliefs for sta government employees and pensioners an has provided Rs 15 crores for addition payments of dearness allowance. pay commission is to be set up.

The size of the state's annual plan w be Rs 810 crores, including Rs 70 crores f the development of hill areas. About per cent of the outlay has been earmark


IS DEMOCRACY SAFE IN THIS COUNTRY ?
MPs NOT ABOVE LAW —SPEAKER
Levy

for agriculture, irrigation and allied programmes and 32 per cent for power. Industry and mining receives about 4.6 per cent.

The resource-raising effort contemplated in the budget will still leave an overall net uncovered deficit of Rs 28 crores. Considering the chronically straitened circumstances of state finances in UP, this is not a result which must in itself invite much comment. But the fact remains that, thanks to a relatively underdeveloped industrial structure in many areas of the state and the political and other constraints on government in taxing agricultural earnings, the UP government faces a problem of resources which is necessarily recurring in nature. These are not prospects which can be coped with effectively, except by a ministry strongly motivated towards encouraging industrial growth in the private sector, a point which Mr Hari Shanker Singhania, president of the Federation of Indian Chambers of Commerce and Industry, has just made. He has also brought out the importance of the UP state electricity board somehow managing to come out of the quagmire of inefficiency and unreliability. Above all, responsible politicians in the state should stop playing politics with electricity supply and pricing policies. Adequate power must be ensured at reasonable rates for industrial growth in the state, for its economy cannot be rescued by taxing liquor or cinema tickets.

Import thrusts

DESPITE THE trade deficit last year likely to exceed the previous (1975-76) record of Rs 1,228.52 crores and apprehensions developing about the inward remittances by Indians abroad, the import policy for the current financial year, which was announced last week, rightly continues to be liberal. The adjustments made in the "absolutely banned" list, the category of items imports of which are either "normally banned" or "restricted", and the open general licence are modest in range or degree. There is only one category of items—scientific and measuring instruments—, the imports of which are to be curtailed substantially, as excessive imports last year have proved detrimental to the interests of the indigenous manufacterers, particularly the small entrepreneur. Even in this field, imports of jigs, fixtures, moulds and press tools, which are essential adjuncts to manufacturing assets, have been allowed under OGL.

boosting exports

The basic approach of the policy continues to be the same as in 1978-79, but with one difference. While the policy last time primarily aimed at boosting domestic production and imparting stability to the economy, this year's policy has the additional objective of providing impetus to exports. This was warranted in view of the fact that export earnings this year are envisaged to be stepped up by at least 10 per cent over the likely Rs 5,600 crores last year so that the rising import bill can be adequately serviced through exports and inward remittances by Indians abroad. The import bill will go up sharply this year for various reasons. The more important among these are : (i) the additional nearly Rs 500 crores cost of imported crude oil and petroleum products; (ii) the necessity of stepping up substantially the imports of steel (these imports, informed sources suggests, are likely to be raised to 1.6 million tonnes, apart from some marginal imports of bars and rods, but including the requirements of building up a buffer stock, from 1.1/1.2 million tonnes last year) ; (iii) larger imports of various other essential commodities such as fertilisers, aluminium and rubber, in the case of which the expected demand is likely to substantially exceed domestic production. Further, there are disconcerting reports about the uptrend in the prices of various non-ferrous metals.

This import policy has been welcomed in trade and industry circles. Besides maintaining the basic structure, it seeks to provide fillip to indigenous output both in agriculture and industry. The system of granting automatic and supplementary licences to actual users for the import of raw materials, components and spares has been maintained, but a significant alteration made in this regard in the interest of domestic producers is that the 10 per cent increase in imports over actual consumption of imported inputs which was automatically allowed to all actual users last year will now be available only to the small-scale units having a consumption of not more than Rs 7.5 lakhs in a year and the units having an annual export turnover of at least five per cent of their production. The other actual users will have to meet their excess requirements from indigenous sources. The existing formula for licensing imports of essential spares required by manufacturers for rendering after-sales service to their customers too has been modified and a maximum value limit of Rs 50 lakhs has been imposed for such imports. The gap created by the abolition of erstwhile established importers in meeting the diverse requirements of small users, for operating and maintaining various types and models of electrical, electronic and instrumentation items has been filled by a new provision made in the policy under which export houses have been permitted to import spares up to a limit of Rs 2 lakhs against the additional licences granted to them.

minister's assurance

Safeguards have been provided in the scheme introduced last year under which 14 identified projects and industries were allowed to resort to global tenders for the import of capital goods required by them with the objective of facilitating speedy implementation of additional capacity in the priority sectors and exposing the indigenous producers to some competition from abroad. This facility has been continued, but the interests of the domestic producers are proposed to be fully safeguarded at the time of granting clearance for imports by a committee set up for the purpose. The minister for Commerce, Mr Mohan Dharia, has assured that the government would allow imports of capital goods under the scheme only when they were absolutely necessary. The scheme will not be allowed to adversely affect the indigenous manufacturers in any way. Significantly enough, even last year the scheme benefited only the power generation industry. Of the 10 applications received for the import of capital goods under it, the majority was for setting up power generation facilities either independently or as captive facilities in the cement and steel industries. Only two other industries sought to avail themselves of the facility. They were the antibiotics and pesticides industries.

This year's policy contains many useful provisions for export promotion. The scheme for the grant of advance licences with duty exemption benefit for the import of raw materials and components required for export production has been made more board-based. The list of materials eligible for duty exemption has been made more comprehensive. The connected procedures also have been rationalised a great deal.

streamlined procedure

The import replenishment licensing scheme for registered importers has been streamlined. The face value restrictions on REP licences will not apply in cases where the replenishment entitlement for a quarterly period is not more than Rs 10,000. The REP entitlement procedure has been simplified. Every registered exporter will now be given a certificate of exports at the time of the disbursement of cash assistance. All such certificates can be submitted by the registered exporters with their applications for claiming REP licences. No other export documents will need to be furnished.

A judicious provision made in the policy for the first time, however, concerns project exports. Where imports from a third country are made into the "project country" for executing an approved project, no import licence will be separately required in addition to the foreign exchange sanction given by the Reserve Bank.

The equipment used in the execution of a project overseas procured from outside India for the purpose has been allowed to be imported into India after the completion of that project against customs clearance. Permits will be issued for these imports without calling for clearance from the indigenous angle. Suitable guidelines have been laid down in the case of the automobiles purchased for the execution of projects overseas. These facilities should go a long way in our undertaking turnkey projects in the third countries and executing them expeditiously.

Some small modifications have been made in the policy regarding imports by export houses pending the receipt of the report of a committee appointed last year to review the role and working of these houses. The detailed policy applicable to export houses is expected to be finalised in the near future.

The policy regarding imports by non-resident Indians who wish to return home or set up industries here, consultancy, designing and engineering firms, samples, modern cameras for photographic studios and imports under OGL for stock and sale too has been liberalised significantly. The details in this regard are available in the Records and Statistics section of this issue.

With a view to putting the small-scale industrial units on a par with the big ones, a provision has been made in the policy under which the small-scale industries corporations, catering for the imported raw materials requirements of small manufacturers, have been permitted to purchase these materials from the canalising agencies on the high seas. Special time-bound procedures have been laid for seeking and issuing proper clarifications in regard to imports under OGL.

making up shortfall

Concerted efforts are to be made to make up through imports the shortfalls in the domestic production of such essential items as aluminium, natural rubber, copper, steel, zinc etc, vis-a-vis the growing demand. But it must be stressed that increased imports of these items curtail the scope for a judicious liberalisation of imports of various other items which can have a very beneficial impact on the economy. Serious attention, therefore, needs to be paid to containing the factors adversely effecting the domestic output of the above items. Sizable capacities for their manufacture remain underutilised for one reason or the other.

Time has come when we should think in terms of building buffer stocks of various essential industrial inputs, especially those the domestic production of which canno be raised expeditiously, so that delays in the arrival of the planned imports do not hamper the operations of consume industries.

Hotels for the janata

THE SHIFT effected recently in public sector activity in the hotel industry from the construction of accommodation to cater for the more affluent amongst the foreign as well as domestic tourists to the putting up of facilities for the less affluent, indeed was called for. Decent hotel accommodation in not only the metropolitan cities but also in the state capitals had gone beyond the reach of even the middle classes unless, of course, they could bank upon expense accounts. One such hotel for the less affluent is already being constructed in New Delhi. The minister for Tourism and Civil Aviation, Mr Purushottam Kaushik, revealed at the consultative committee of the members of parliament attached to his ministry recently that all the state governments had been requested to identify suitable areas for putting up "Janata" hotels. He further disclosed that the government of Tamil Nadu had offered a plot of land in Madras for this purpose at an annual lease of Rs 3,000 per acre.

Janata hotels are being designed to provide clean and comfortable accommodation for both the domestic and foreign tourists at reasonable rates. The current thinking is that a bed in such a hotel should cost Rs 10 in a four-bed room with attached toilet, Rs 15 in a double-bed room and Rs 30 for single occupancy. Tea and breakfast should not cost more than 50 paise and two rupees, respectively. A vegetarian lunch or dinner should be available at Rs 4.50 and non-vegetarian food at Rs 6 per head. With construction costs going up rapidly and the general inflationary tendencies gathering momentum, it remains to be seen whether these tariffs can be adhered to. But what is more important is that Janata hotels should be run as such at moderate rates.

UK: govt changes sex

MRS MARGARET Thatcher has already shown that she could be more of a prime minister than Mr Morarji Desai has been. By keeping Mr Edward Heath out of her cabinet, she has made it clear that she will brook no rival in her ministry. This is more than what Mr Desai has been able to arrange. Quite clearly this speaks well of Britain's parliamentary traditions. There the prime minister is a prime minister is a prime minister. No. 10 Downing Street, is not a *chammery*. There is no question of the Thatcher cabinet having a single deputy prime minister, let alone two.

The ruling party now commands 339, seats in the House of Commons out of a total of 635. Labour's share is 268. Mrs Thatcher's majority thus promises the virtue of stability. The electorate has given her an effective mandate. She seems to know what she wants to do with it. Whether she can do it is something which people will watch with interest and many of them perhaps with understanding and sympathy, not only in her own country but all over the world. This is because she is clearly determined to bring about a big social and economic change in Britian as it has evolved since the war. Her priorities have been clearly defined by her and she has chosen a team which she believes will go along with her with enthusiasm and efficiency.

Her immediate aim is to start trimming the government share in the national cake. This means two things: (a) the beating back of the creeping state capitalism in Britain in the course of the second half of this century; and (b) the dismantling of the bureaucracy of the welfare state. Both processes will take time, but the directions could be set without delay. The Conservatives may expect to remain in office for a full term in the normal course. A lot could be done, surely, in five years.

Party pattern

This general election has brought the Tories the biggest parliamentary majority any party has had in the House of Commons since Labour won a 99-seat margin in the 1966 election under Sir Harold Wilson.

The following is the final party position: Conservatives 339 (gain 61, loss 6); Labour 268 (gain 11, loss 51); Liberal 11 (gain nil, loss 3); Scottish National Party 2 (gain nil, loss 9); Plaid Cymru (Welsh Party) 2 (gain nil, loss 1); Ulster Unionists 10 (gain 2, loss 2); and Others 3, Total 635.

The votes and percentages won by the various parties in the 635 constituencies: Conservatives 13,697,753 (43.9%); Labour 11,509,524 (36.9%); Liberals 4,313,931 (13.8%); and Others 1,699,582 (5.4%).

In the October 1974 general election, the final figures gave Labour 39.3% of the votes cast, Conservatives 35.7%, Liberals 18.3% and Others 6.7%.

Labour's defeat will no doubt be under analysis for some time to come, but the main causes could be immediately identified, even if only in broad terms. The British are among the more heavily taxed communities in the world. This in itself may not have broken the camel's back but, then, the quality of the social and other community services has been steadily going down. In other words, the British taxpayer is paying more and more for less and less. The welfare state is wearing out and even the Labour leadership realised that it had to reckon with this public discontent. So it said that it would cut taxes if it was returned to power, but here it could not outbid the Conservatives. The latter could not only promise deeper tax cuts but could do so with more credibility because they were also talking simultaneously of applying the axe to government expenditure. Once tax cuts became a major election issue, Labour really did not have a chance of outbidding the Conservatives.

Pre-election Conservative propaganda was also on strong ground when the party leader made state capitalism another big issue. Mrs Thatcher very firmly said that she would seek to return the economy to the people. What was once the largest and strongest industrial economy in western Europe has become over the years a symbol of the failure of public ownership in industry and government control of business activity to obtain even a clue to what economic progress is about in terms of the challenges and opportunities of the post-war world. It is not only that the GNP of the Federal Republic of Germany is now larger than Britain's but also that, within the European Economic Community the UK has been increasingly identified with countries which must be content with relatively low growth rates accompanied by relatively high inflation and unemployment rates and a degree of vulnerability in balance of payments. Although the Labour government has benefited from the dividend on North Sea oil and lately the pound has been holding more than its own in world currency markets, the public seems to have lost faith in the possibilities of Labour doctrines as dependable instruments for recapturing the strength and dynamism of Britain's industrial traditions.

New ministers

Following is the list of all the members in Mrs Margaret Thatcher's cabinet.

Chancellor of the Exchequer—Sir Geoffrey Howe.
Foreign Secretary—Lord Carrington.
Home Secretary—William Whitelaw.
Industry—Sir Keith Joseph.
Defence--Francis Pym.
Northern Ireland—Humphrey Atkins.
Trade—John Not.
Energy—David Howell.
Agriculture and Fisheries — Peter Walker.
Lord Chancellor—Lord Hailsham.
Education—Mark Carlisle.
Employment—James Prior.
Environment—Michael Heseltine.
Wales—Anicholas Edwards.
Scotland—George Younger
Social Services—Patrick Jenkin.
Lord President of the Council and leader of the House of Lords — Lord Soames.
Chancellor of the Duchy of Lancaster and Leader of the House of Commons —Norman St. John-Stevas.
Lord Privy Seal—Sir Ian Gilmour.
Chief Secretary of the Treasury — John Biffen.
Paymaster General—Angus Maude.

Given the highly politicised state of the British working class and the powerful authority and militancy of the big trade unions, it was assumed during the greater part of the last 30 years, that only a Labour government could at all persuade organised labour to play fair with the rest of the community. But, it is becoming increasingly clear that the centre of power in the labour movement in Britain is being lost by the politicians to the shop stewards. Indeed Britain's middle class, which has now come to be a large majority of the British people, seems to have concluded that it needs the backing of a Conservative government to assert the principle of fair shares for all. Mrs Thatcher herself had said in the course of a pre-election speech that she was confident that trade union leaders would work with a democratically elected government.

the iron lady

It is of course only too true that the future of democracy in Britain will obviously be determined by the authority, which a government enjoying a stable majority in parliament, is able to exercise over any sectional interest however large or well-entrenched it may be. After having voted the Conservatives into office in such a decisive manner, the British public must surely be disposed to cooperate with reasonable exercises of this authority. Britain's new prime minister may be a curiosity just now because of her sex, but her own people must be fairly familiar with what she stands for in the governing of Britain. She has been called, among other things, "the iron lady", because of her tough talk on Britain's economic priorities. But, given good advisers, she may well be able to function as a successful team leader at a time when great decisions may have to be taken with the aid of the collective wisdom not only of Conservative statesmanship but the entire people of the world's oldest functioning democracy. Meanwhile, it is a good sign that the woman has a sense of humour. She has rewarded Mr Reginald Prentice, a former Labour cabinet minister, who had joined the Conservative party some time ago because he felt that the extreme left had infiltrated the Labour party, with a junior government post, to wit, minister of state for the Disabled—an appropriat enough portfolio, perhaps, seeing that h had been minister for Overseas Development in the Labour administration.

Keeping chaste

THE EGYPTIAN vice-president, M Hosny Mubarak, who briefly visited Nev Delhi earlier this month, could have ha no reason to be disappointed with th results of his talks with the prime ministe Mr Morarji Desai. The letter's views o the Israeli-Egyptian peace treaty must b known to Cairo. Mr Desai has alway made it clear that, while he would welcome any development which could in an way ease the dangerous tensions in wes Asia, it is the government of India's firn view that there could be no permanen peace in the region until and unles the Palestine problem is resolved i an equitable manner. In his talks witl Mr Mubarak, Mr Desai pointed out tha the Israeli settlements in the occupie Arab territories could not possibly continue if there was to be credible progres towards a comprehensive Arab-Israel concord. He also expressed his concer over the differences generated among th Arab countries by the Israeli-Egypt peac treaty, since Arab unity was essential fo a just settlement of the Palestine issue The visiting Egyptian vice-president seem to have clarified his own government' position, at least to an extent which ha persuaded Mr Desai that India shoul oppose firmly any Arab move to expe Egypt from the Non-Aligned movement.

This and other questions, which wil come up when the next non-aligne summit meeting is held at Havana i September, were discussed in great detai by the Yugoslav Foreign minister, M Josip Vrhovec, who came to Delhi on visit spread over three days extending t May 7. The joint communique issued a the end of this visit reiterates the conviction of the two governments that the Non-Aligned movement would continue t play a positive role in combatin multinational military alliances and powe blocs and the concept of spheres o influence. It is recognised, however, tha the effectiveness of the movement risks being diluted by threats, actual or potential, to the solidarity of Non-Aligned countries and their dedication to unity of action or cooperative approaches to their common problems.

It is in this context that both Yugoslavia and India have set their faces against any proposal by the hawks among the Arab governments to punish Egypt for its alleged subservience to US diplomatic interests in west Asia by expelling it from the conference of the Non-Aligned countries. On the same reasoning Yugoslavia and India have declared their support to Pakistan's application for membership of the movement, following its exit from the CENTO, although there could be opposition from a few countries including Afghanistan to Pakistan's entry.

clarification of issues

These issues are likely to be clarified at the meeting of the coordination Bureau of the Non-Aligned, which is to be held in Colombo next month. Discussions on this occasion should prepare the ground for the proceedings of the Havana summit being carried on in a friendly and cooperative spirit. In this context it was rather amusing to hear the visiting Yugoslav Foreign minister, who was addressing a press conference in New Delhi, using strong words to criticize the Cuban role in Africa. Already some countries in the Non-Aligned movement have reservations about the summit being held at Havana and Mr Vrhovec's observations may not contribute to smoothening out the preliminaries to the Havana summit. At the same time it must be recognised that there is a strong feeling in the Non-Aligned movement against the use of force by its members in settling bilateral disputes.

As founder members of the Non-Aligned movement, Yugoslavia and India have special interest in keeping it not only intact, but functional in an increasingly effective manner. At the same time it could be doubted that they are adequately aware of the truth that the Non-Aligned movement needs to be realigned to emerging regional political and strategic realities, which are beginning to impinge member-countries. For instance, especially after the signing of the Israeli-Egypt peace treaty, there is a tendency for a number of Islamic countries in the region to band together for the protection or the furtherance of their special interests, which may not always coincide with the objectives of the Non-Aligned movement. Again in the Pacific region, the ASEAN is being welded into a compact political and economic entity and this trend is likely to be strengthened by foreseeable developments in the confrontation between China and Indochina.

On the African continent, again, several countries are trying to find their bearings anew and it will certainly take some time before they sort out the issues relating to the kind of relations which they may profitably develop with some of the industrially or militarily advanced countries of the world. Unless the Non-Aligned movement awakens to this changing world, it may not be able to keep abreast of global politics in the closing decades of this century. Purificatory rituals that help to keep the movement cleansed of contacts with power blocs will no doubt have their value, but they are unlikely to provide positive solutions for the newer challenges of a world which is becoming a more and more dangerous place.

After Idi

WHAT COULD have been the most popular hanging of the second half of the twentieth century may perhaps not take place at all. Idi Amin Dada has after all been able to sneak out of Uganda and after much speculation about his whereabouts, there have been reports lately of his having surfaced in Libya. A philanthropic Israeli has set a price on this abominable tyrant's bullet-head and there could be nothing better than that saying that there is nothing that money cannot buy comes true in this case.

Meanwhile Uganda's liberation remains incomplete in some other respects too. For instance, the government of Mr Yusufu Lule is still heavily dependent on the continued presence in the country of the Tanzanian liberation forces for even normal internal security purposes. Second, although the Amin regime has been overthrown, the remnants of his army are still operating in marauding bands in the northern and eastern regions. The mopping up operations, which could put an end to this terror will also have to be completed by the Tanzanian troops, but with the cooperation of the Kenyan government, before the sovereignty of the new government is fully established in all of Uganda.

question of recognition

There is of course not much significance to Amin's bombastic assertions from Tripoli that he would soon be back at the head of a substantial fighting force. Nevertheless, the control of the new government over the entire Ugandan territory is still to be fully consolidated and until this task is accomplished there may not be a complete withdrawal of Tanzanian troops. This is perhaps the reason why the government of India is deferring its recognition of the new government in Kampala, but it has also been stated that the safety of people of Indian origin living in areas where the Amin gangs are still free to loot and kill is a consideration weighing with New Delhi.

Perhaps the country which has the most reason to gloat over the fall of Amin is, not even Tanzania although its president has had so much to put up with from Amin's antics, but Britain, the national pride of which has been humiliated so many times by the man who proclaimed himself the "Conqueror of the British Empire". This was a boast which the British certainly were not in a position to treat as a joke so long as Idi Amin was in power, for he had made it his principal diversion to cock a snook at the British government on every possible occasion, besides harassing individual Britons, who might have crossed his path or fallen into his clutches.

It speaks volumes for British hypocrisy, then, that *The Economist* (London), recently launching on a scholarly homily on happenings in various parts of the world involving the capital of a sovereign state being occupied by the invading army, which would then proceed to install a new government, pretended to see similarities between what happened in Kampala and Vietnam's action in

Cambodia and even Russian occupation of Hungary and Czechoslovakia. It requires an effort of feverish imagination to picture president Julius Nyerere of Tanzania as an egoist with ambitions of regional primacy.

Until there is more proof than is available now (which is exactly nil) that he desires to keep his troops in Uganda for a day longer than the new government in Kampala wants them to stay, it would be irresponsible to speculate on the possibility that there is any element at all of territorial aggrandizement in the Tanzanian intervention in Uganda. On the contrary, it is quite clear that its military operation in Uganda was not of Tanzania's seeking and that it had been forced to it by the bid made by Ugandan refugees from the Amin terror to fight their way back to their homeland. If a parallel is to be sought to the Tanzanian participation in the military campaign that brought about the overthrow of Amin, it may be India's compulsory involvement in the struggle of the people of East Pakistan to form their own state of Bangladesh. It should not be necessary to tell *The Economist* or anybody else that India has no bad conscience at all in this matter.

hollow praise

While Britain has been lavish with its paeons of praise for the liberation of Uganda from the Amin yoke, the British government has been short on its pledges of cash for Uganda's economic rehabilitation, although British industry and trade should in the normal course be one of the major foreign beneficiaries from the normalization of the Ugandan economy. Britain has sent so far one million pounds, which is also the amount which Kenya has given. The EEC, however, has promised $ 100 million, while Washington is waiting for the Congress to lift the embargo on trade with (Amin's) Uganda before airlifting emergency supplies. Already it is clear that a tremendous multinational effort, reinforced by the resources of international financial institutions, will be needed to resurrect the plundered and petrified Ugandan economy, for which the bill may easily total two billion dollars.

The country's rich natural resources however should provide a fertile base for the speedy recovery of its industry and commerce and it is believed that neighbouring Kenya is well situated to service and profit from this prospective recovery of the Ugandan economy. West European capital investment and industrial know-how may not also be slow in coming in. There are also indications that leading Indian business families, who had been divested of their manufacturing or trade interests and driven out of Uganda by Amin, are planning to return and revive their commercial operations. Meanwhile it should be interesting to speculate on possibilities of Ugandans of Indian origin now settled or resident in Britain going back in large numbers. The policy which the new government in Britain may adopt towards coloured immigrants will surely have something to do with this.

UNCTAD in Manila

UNCTAD-V which began its plenary session in Manila on May 7, is meeting under the shadow of the trade and tariff deals negotiated at the conclusion of the Tokyo Round in Geneva on April 12. The Third World countries regarded those "final substantial results" as a let-down for the North-South dialogue. It was complained that the GATT had once again behaved as a rich men's club, interested only in sorting out the wheeling-dealing among the industrially advanced countries and dedicated to the advancement of the share of the Haves in a larger cake of world trade. If this mood succeeds in setting the tone for UNCTAD-V, the effect could be both good and bad: good because it might encourage the participants to adopt an essentially realistic attitude towards the more proximate possibilities of what has come to be touted as a new world economic order and bad because there might be a tendency to lose sight of the trade and development opportunities that may come the way of the developing countries simply because of the fact that the industrially advanced countries have succeeded at least modestly in liberalising trade among themselves and have thereby tried to ward off to that extent the protectionist tide in world commerce.

Whether the good will be more than the bad would depend on the guidelines that may be handed down to the various committees and groups when they get down to work. At the same time, it is not unimportant that mere ovatory should be eschewed from the very beginning.

new economic order

The UN secretary-general, Dr Kurt Waldheim, therefore, did no service when he repeated the familiar cliches about the slow pace of the progress towards a new world economic order—as if even those Third World countries who are most talkative about this Paradise to be Gained even know what they want. The truth is that the new economic order still remains simply an accommodating agenda for international conferences and the least that UNCTAD-V could do to improve the situation is to list specifically the gains which have been made so far by the Third World countries through the North-South dialogue and the further advances that they seek in concrete terms.

Indeed even Dr Waldheim conceded that the agreement to set up a common fund for commodity stabilization constituted a practical recognition of the interrelationship between the rich and poor nations. The obvious next step is for the Manila conference to promote and realise the institution of a "second window" of the fund which would finance product development, product upgradation, product diversification and marketing and other allied services. In addition to a sum of $ 400 million which are to be made available for the buffer stock scheme of the common fund, another $ 350 million are being sought for the purposes of the "second window" and the raising of these additional resources should not present difficulties, although the contributions are to be voluntary.

Leaders of the Indian delegations to such international gatherings have not always been noted for moderate speech-making. On this occasion, however, Mr Mohan Dharia seems to have kept his rhetoric under reasonable restraint. Even while expressing India's dissatisfaction and disappointment at the outcome of the Tokyo Round, he allowed that there was still scope for a pragmatic and constructive approach on the part of the developing countries to negotiate with industrially advanced countries on the latter's demand for safeguards against "disruptive imports". He made a useful point that, where developing countries had acquired genuine competition capabilities, they should be able to persuade industrial countries not to persist in robbing them of the fruits of their development efforts.

A related issue is the continuation of the generalized scheme of preferences (which is due to expire). The industrial countries are not likely to raise any objection to its extension. On the contrary some of them have been complaining that many developing countries have not been taking full advantage of this scheme. Perhaps UNCTAD-V could address itself to this problem in a spirit of self-examination. Bonn, for instance, has a complaint that India has not shown the same enthusiasm or interest as Yugoslavia in availing itself of the generalized scheme of preferences in promoting its exports to West Germany.

Soviet oil and Comecon

THE SOVIET Union proposes to supply its Comecon partners with more than 80 million tonnes of oil this year, an apparent increase over the oil deliveries during the previous three years. The oil will be sold to the Comecon countries at 25 per cent below world prices, saving its recipients one billion roubles (£ 740 million) for the year. In the period 1976-80, the Soviet Union will have supplied its Comecon partners with 400 million tonnes of oil, 50 per cent more than in 1971-75, at a total savings to them of over five billion roubles.

The USSR's exports of fuel and raw materials to the Comecon countries accounted for almost half of its exports to these countries last year. The Soviet Union is believed to have exported a total of 140 million tonnes of oil in 1976, with 70 million tonnes going to Comecon and 160 million tonnes of oil in 1977, with between 70 million to 75 million tonnes going to Comecon.

Soviet shipbuilders are making a new type of oil tanker designed not to pollute the sea even in the event of an accident, Tass revealed recently. The tankers, with a deadweight of 65,000 tonnes, will have a second hull inserted inside the outer hull. The hulls will be separated by a space of two metres. The tankers are to be equipped with mechanisms to prevent oil explosions and will have a system for automatically avoiding floating objects encountered on course.

A recent CIA report confirmed an earlier prediction that Soviet oil production would peak in 1980 and then decline steadily, forcing a reduction in exports to Comecon or the west. It was announced recently that the Soviet Union planned to sell 10 million tonnes of oil to Hungary this year as against 8.5 million tonnes in 1978 and 800,000 tonnes more of oil and oil products to Poland than had been envisaged under the long-term agreement.

The Soviet Union supplies 93 per cent of Czechoslovakia's crude oil needs of 18.3 million tonnes annually. Czechoslovakia's need for more Soviet gas and oil and Comecon projects to develop raw material resources in the Soviet Union were at the centre of talks which deputy premier Konstantin Katushev, the Soviet Union's chief Comecon representative, had recently in Prague.

East Germany also depends heavily on Soviet oil. It also values the Russian market for its products. For instance, KZJ, one of East Germany's biggest exporters, with 80 per cent of its output sold abroad, sells half of its products to Soviet Union and other Comecon countries, and the other half to western and developing countries. The company praises cooperation with Soviet research institutes and notes that the Soviet market is the company's primary one.

It may be pointed out that Soviet oil has made Comecon bonds much stronger and has encouraged mutual trade. For instance, every seventh tonne of rolled steel in the Soviet Union comes from a SKET plant in East Germany, and 30 per cent of Comecon's cement is also produced in SKET factories. The high proportion of exports to Comecon, with the bulk destined for Russia, means large producers in Comecon have no problems finding buyers for their products. But these producers are also interested in expanding their construction of turnkey plants outside the Comecon, mainly in developing countries.

East European countries made a substantial effort last year to increase their trade with developing countries but their trade with the western countries declined slightly. This was reflected in a 28 per cent rise in exports to the Third World as against a fall of three per cent in the overall volume of East-West trade during 1978 as against the previous year. Imports from the west dropped by five per cent over the first nine months while exports to the west rose by three per cent,

Eastern Economist 30 Years Ago

MAY 13, 1949

It is possible that Oscar Wilde was proclaiming a truth when he said that nothing succeeds like excess. It is possible, too, that in a democracy the interest of the people can only be retained when hope is kept alive springing eternal in the human breast. These considerations may explain, although they cannot entirely excuse, the broadcast made by the Minister for Labour on the 5th May when he proposed the immediate implementation over a period of ten years of Rs 300 crore housing scheme. On the need for housing on this, or even on a larger scale, there cannot be two opinions. But much has happened since the original one million houses project was conceived. It was a great project worthy of all the rhetoric which it has received, but unfortunately this makes its implementation no easier. If the finding of Rs 300 crores for housing was difficult a year ago, it has become impossible now, when the government has lost almost the opportunity to borrow. And we consider it irresponsible for a Minister of the Government, who must be aware of the financial crisis which is impending to make a promise which it is clear that the Government is immediately unable to fulfil.

The question then raised is if the Government of India is committed to the allocation of funds for this scheme. If it is, it owes it to the country to indicate precisely from where these funds are forthcoming. It is not enough to say that Rs 200 crores will come from the Centre and Rs 100 crores from the provinces; the precise method of financing will need to be indicated.

Nuclear power setback : a boost for coal

London

V. R. Bhatt

The future pace of nuclear power development having been clouded by the accident in an American plant, dependence on oil would naturally increase, but the Iranian revolution has demonstrated the risk of its supplies being cut. Against this background, the author says, it is to coal that the world will have to turn for a major part of its energy requirements.

THE NUCLEAR power plant accident on Three Mile Island near Harrisburg, Pennsylvania, USA, last month, which sent a tremor of fear in all countries developing nuclear power and the precariousness and ever-rising cost of oil supplies have combined to accelerate interest in coal as a fuel not of the past as it was becoming but of the future. The Harrisburg accident led to the evacuation of people living in surrounding areas when radioactive steam began to leak from the reactor which threatened to blow up and poison the atmosphere over a wide area. In money terms the cost was a billion dollars spent on the reactor but the greater loss may be the setback to the growth of nuclear power generation. In the USA and other countries the anti-nuclear ecologist groups would have gained in credibility and political strength.

The seriousness of the position after the accident is indicated by the call by the staff of the Nuclear Regulatory Commission in Washington that all nine similar pressurised water reactors in the USA should be shut down till the complete safety in their operation was assured. Their close down would mean a surcharge of 100 million dollars a month on consumer electricity bills at a time when American inflation rate has gone into two figures. It has however been pointed out by Mr James Schlesinger, the American Energy secretary, that the accident was an error of operation rather than that of design. It has also been pointed out that the Harrisburg near-disaster is merely a painful step towards a successful and safe expansion of nuclear power as in the case of other technological advances which were beset initially with accidents.

The reaction outside the USA has been to strengthen the anti-nuclear power groups and organised parties which exert pressure on governments by protests or through the ballot box as happened in Sweden and West Germany. Japan the third biggest consumer of energy is probably the most vulnerable to public opposition rooted in the national trauma of Hiroshima, which was destroyed and its inhabitants killed or horribly injured by the first nuclear bomb.

The Nuclear Energy Agency (NEA) of the OECD which has 23 members (all the leading industrialised countries of western Europe except France and Australia, Canada, Japan and the USA) has started an in-depth examination of the lessons to be learnt from the Harrisburg accident. "This will include", an agency statement says, "consideration of the sequence of events during the accident and of the design and operational implication for nuclear power plants generally. Consideration will also be given to the measures necessary during an emergency and for protection of the public.

"Although no one was killed or injured and the safety features of the reactor proved adequate as a defence against catastrophic consequences, there will be important lessons to be learned from this accident. Their widespread adoption of light water reactors as the basis of national nuclear power programmes lends particular importance to the dissemination of these lessons. This process cannot usefully be undertaken until the results are available of the painstaking technical investigations already initiated by the competent US authorities.

"Examination of these questions is therefore likely to be spread over a lengthy period as the results of the technical and other investigations become available. The first exchanges are expected to take place before the end of June and meanwhile any conclusions about the significance to be attached to this accident would be premature".

The NEA's statement indicates the setback that nuclear power development through the most widely used reactors—the American pressurised water types—has received. There has also been a fall out of uncertainty about other types of reactors. Nuclear power generation was gathering momentum in the west with 72 operating reactors in the USA and a slightly larger number in western Europe. But as Mr Guido Brunner, the EEC Commissioner for Energy, has said the accident would be a setback and "would delay the existing programmes" although it is difficult to conceive the world renouncing nuclear energy in the long run.

The future pace of nuclear power development clouded by the American accident will increase the dependence on oil. But the Iranian revolution has demonstrated the risks of supplies being cut. Prices continue to rise and major oil exporters, Saudi Arabia, Iran and Kuwait have either frozen production at set levels or made cuts. The higher prices are a disincentive to increased output as they bring in the required revenue while the depletion of the non-renewable oil reserves is slowed down.

future of coal

It is against this background that the future of coal as a more reliable, abundant and a cheaper source of energy should be assessed. The IEA in its latest study of the energy situation has come to the conclusion that coal which accounted for 20 per cent of energy requirements in 1976 (the latest figures available) is the source which can provide a "massive substitute for oil". It points out that the OECD countries (24 of the most industrially developed and the biggest oil consumers) now depend on oil for 37 per cent of present energy requirements. "Even if oil supplies are not threatened in the short term the need to reduce dependence on oil is a priority".

Its projections envisage a potential excess of world oil demand over supply of at least 7½ million barrels a day (MBD) in 1990 and 24 MBD in 2000 if existing policies are continued. The assumptions behind this forecast are that the modest economic growth in the OECD will continue—3.9 per cent to 1985, slowing to 3.5 per cent between 1985 and 1990 and to 3 per cent in the last decade of the country, an average of 3.4 per cent over the whole period. And that oil prices will remain constant in real terms to 1985 rising by 24 per cent annually after that as energy demand grows by 2.7 per cent per year which implies greatly increased conservation measure. A slow down in nuclear power development is projected as increasing the excess demand for oil by at least one million barrels a day. (The IEA report was published before the Harrisburg accident but can be taken as a pointer to the effect of the accident on oil demand). Taking the oil and the nuclear situation together, the world will face an excess demand for oil of the order of 25 MBD by the year 2000.

filling the gap

Only coal of the available resources now, the IEA believes, can fill this gap substantially. Its investigation of the potenial of coal shows that if production and trade in coal is encouraged the OECD's net oil imports could be reduced by 3.2 MBD by 1990 and by 7.3 MBD by 2000 which represents a reduction of potential unsatisfied demand by 30 per cent. The remaining gap will have to be closed by conservation and the acceleration of other sources, the chief of which is nuclear power. It will be seen from this projection that the world cannot do without a massive increase in nucler power in the long term till solar energy and other inexhaustible sources like wind and tide power are developed.

The projection of coal's importance in the coming decades or centuries should be of special interest to India which the IEA says has by far the largest production of hard coal in the developing world. The IEA estimate is that by 1976 figures (the latest available) there are 637 billion tons of technically and economically recoverable coal reserves in the world enough to last 245 years at 1977 consumption rates. Unlike oil, coal is not highly concentrated in a few countries but widely distributed. India comes fifth among the ten countries listed by the agency as having the biggest reserves. The top three positions are held by the USA, China and the USSR in that order which together have 60 per cent of the world's reserves. Britain is next with 9.1 per cent and India follows with 23,077 million tons of oil equivalent (TOE) coal which amounts to 5.2 per cent of the world's reserves

The advantages and disadvantages of coal as one of the main fuels of the future are examined closely by the IEA. New mining techniques including surface mining promise substantial reduction in mining costs ensuring that the international coal market has most of the elements of competitiveness. It costs less to build a coal fired power plant than a nuclear one even including expensive pollution control equipment. Assuming that oil prices continue to rise, the IEA calculates that both nuclear and coal fired power plants will cost less to operate than oil fired plants in most regions accessible to deep water ports. The disadvantages of coal are that it is bulky and dirty and without proper control its combustion pollutes air and water. But technology already developed can provide for occupational health and safety, prevent surface subsidence from underground mining and effect reclamation of surface mining scars. Pollution by sulphur and nitrogen oxides in the combustion process can also be controlled. The agency works out the costs per ton of coal for all these measures and concludes that taking all these into account coal fired power plants are cheaper to build than nuclear ones.

pollution control

The IEA recommends intensive efforts by governments to develop the technology of pollution control and to make investments needed in mining and the infrastructure to facilitate trade, mainly by building ports capable of handling ships with a capacity of 100,000 to 200,000 deadweight tons, the optimum size for the coal trade. It also advocates the prohibition henceforth of oil or gas in electricity generation and financial incentives to encourage conversion of existing oil fired plants to coal. The agency says that greater coal development would be an important economic bonus for developing countries to increase foreign exchange earnings and employment. Finance for development could be available from various sources including international development banks.

The biggest demand for coal in the coming years will be from Europe and Japan. European imports are expected to increase sixfold by the year 2000 and Japan is likely to triple coal imports for its iron and steel industry and for electricity generation from the USA and other centres including India. The Japanese government is already offering subsidies for utilisation of steam coal. The imports of metallurgical and steam coal by western Europe (minus Britain which has ample reserves) and Japan by 2000 are projected as follows:

Western Europe: 39.9 million tonnes metallurgical coal and 177.6 million tonnes steam coal.

Japan: 72.7 million tonnes metallurgical coal and 53.8 million tonnes steam coal.

The demand of developing countries in that year is expected to be 22.4 TOE metallurgical coal.

Carter to dismantle oil price control

New York

Sudhir Sen

To boost oil production president Carter has at last decided to dismantle the two-tier price system. The centre-piece of the programme is to provide incentive to oilmen to maximise domestic production as fast as possible, but to siphon the windfall profits and to establish an energy security fund he plans to introduce tax on oil companies. The fund will provide relief to low-income families, build a more efficient transport system and finance research work.

AT LONG last the inevitable is happening on the energy front. After wrestling long and hard with the stark realities staring him in the face, president Carter has decided to dismantle the two-tier price system which was instituted four years ago. The process will be initiated on June 1, 1979, and the goal will be reached in a series of small steps extending to September 31, 1981. Thereafter, the US oil price will begin to move in step with the world, or OPEC, price.

The crucial decision has been taken. What remains now is to soften the impact of decontrol, to mitigate the hardships caused by the rising oil prices, to step up domestic production of energy, and to pilot the proposals through the legislative shoals. This will certainly be no easy task, and another stiff fight with the Congress looms not too far down the road. Nevertheless, the chances are that Mr Carter's second energy plan will fare better than his first which was introduced almost exactly two years ago and took eighteen months for its passage. By the time it emerged out of the legislative arena it had been truncated and mutilated almost beyond recognition.

The first plan suffered because it was hastily drawn up, badly focused, and was loaded with too many things so that it tended to sink under its own weight. By contrast, the issues this time are both fewer and more clear-cut. Moreover, the energy law passed four years ago gave the president a lot of leeway. As a result, he has the authority to decontrol the oil price with immediate effect after May 31, 1979, or to maintain the status quo through September 1981 or, if he so wished, to phase it out in stages by that date. This means that Mr Carter could decide on decontrol without seeking fresh congressional approval, and this is precisely what he has now done.

No less important is the difference in Mr Carter's own attitude. Two years ago he dumped the voluminous energy bill on the Congress's lap, declared it as "the moral equivalent of war" (later ridiculed by some as MEOW), and then relaxed. But this time he seems determined to fight for his legislative goals. It is also worth noting that last summer he made a commitment at the Bonn summit that he would raise the US oil price to the world level by the end of 1980. He has to redeem that promise, and he will be virtually doing so through his latest move.

Overshadowing all this, however, are the latest price hikes by OPEC and the clear notice its members have served that henceforward they would go on charging what the traffic could bear and that, to make the higher prices stick, they would not hesitate to restrict production as much as necessary. This, in Washington's view, is as good as blackmail; and for a superpower it was impossible to let it go unchallenged. Cornered by OPEC. Mr Carter had no choice but to act decisively.

Finally, there is the question of presidential election for which the contest in the primaries will begin in another eight months. The president knows only too well that, unless the energy mess is reasonably cleared by then, his re-election prospects will be in jeopardy.

The new mood of Mr Carter is exemplified by the following remarks he has just made about OPEC (April 23), "Oil remains by far our most important energy source. and we are in the painful situation of relying on a greedy and unreliable foreign cartel for nearly half the oil we use." And then he went on to add: "As that onrushing river of foreign oil flows into our country, a river of money flows out, threatening the health of our economy, the stability of our currency and the security of our nation."

the new mood

Such strong language against the oi cartel would have been inconceivable only a few months back when the official line was to cajole, if not to woo, it for a policy of moderation, especially with the help of Saudi Arabia, by far the larges exporter of oil. If the new mood reflects anger over the cartel's extortionist policy it also marks the end of the long complacency over the huge oil import bill, th soaring trade deficit, the damage it doe to the dollar, the aggravation of inflatio the falling dollar brings in its wake OPEC's greed has opened Washington' eyes. The traumatic experience of recen months has helped bring about a dramati policy reversal,

President Carter's second round o energy proposals are due to be unveile shortly for transmittal to the Congres in the form of an administration bil Their salient features have, however, bee fully aired first through a nationally televised speech he delivered on April 5, an later through press conferences and othe public pronouncements. The shape of the new energy bill is public knowledge by now, nor is it expected to contain any last-moment surprise.

The centre-piece of the second phase of Mr Carter's energy programme is phased decontrol which represents a typically Carterian compromise. Many knowledgeable people, including Energy secretary, Mr James Schlesinger, favoured complete decontrol with effect from June 1 next. This, they argued, would provide a strong incentive to oilmen to maximise their domestic production as fast as possible. Others, in particular liberal Congressmen, wanted the control to continue in its present form till the end of the period permitted under the statute, that is, until September 30 1981; they were unwilling to see the energy price go up, even refused to believe, like the majority of Americans, that there was a real shortage of oil, and they blamed it all on the manipulations of a profit-hungry oil industry. Nor did they feel much concerned about the staggering oil import bill and its impact on the dollar.

double-digit inflation

Caught between these two extremes, Mr Carter had two other problems to worry about. The rate of inflation which in a sudden burst in February reached an annual rate of over 15 per cent, while for the first quarter it remained as high as 13 per cent ; he was afraid that sudden decontrol would add fuel to the inflationary fire. Besides, with his eyes riveted on the presidential election year, he wanted to play it as safe as possible. The outcome of this balancing exercise was gradual decontrol spread over a long period of 28 months.

The compromise suffers from a serious disadvantage : Owners of "old oil" will have every incentive to keep it underground when they know for certain that the same oil will fetch at least a 50 per cent higher price after September 1981; in fact, the price premium is likely to be substantially higher since OPEC will almost certainly come up with further price boosts in the intervening period. The new energy programme, it follows, will not reduce the USA's oil imports which now amount to 8.5 million barrels a day. Meanwhile, even if these imports are maintained at the same level, the outflow of dollars will show another sharp rise—from about $45 billion to perhaps as much as $60 billion—because of the latest price increases.

straight message

In his televised address to the nation president Carter served his energy message without any futile attempt to sugarcoat it. "Our nation's energy problem is serious—and it's getting worse", with this straightforward opener he went right to the heart of the matter : "We are wasting too much energy, we are buying far too much oil from foreign countries, and we are not producing enough oil, gas or coal in the United States." What, then, should be done ? The federal goverment price controls, he now forthrightly declared, "hold down our own production and encourage waste while increasing dependence on foreign oil." He had therefore decided to lift the control on oil price by using the authority already vested in him by present law, but to spread the decontrol process over a 28-month period in order "to minimise sudden economic shock".

Even phased decontrol would be far from painless, and Mr Carter gave it "straight" to the nation: "Each one of us will have to use less oil and pay more for it." Besides, the price of petroleum products, even when it rises gradually, would add "a small amount" to the rate of inflation in the short run. Again, this was a price the nation had to pay, argued Mr Carter, in order to reduce its dependence on the foreign oil cartel.

As controls are phased out, prices on oil already discovered would go up; and unless the oil companies are taxed, they would reap "huge and undeserved windfall profits". The primary concern of Mr. Carter now is to levy a tax on these profits and to establish an "Energy Security Fund" with the new tax money, which would be used for a threefold purpose: to provide relief to low-income families who would suffer most from the energy price increases; to build a more efficient mass transportation system; and to finance research and development to work out adequate solutions of the longer-range energy problems. These are the main items which will constitute the crux of the new energy bill.

Apart from the removal of government controls on oil to encourage production, Mr Carter listed a number of other actions he had taken, or would take, to increase supply and to "make the most" of the domestic fuel reserves. He had issued an executive order to cut through federal red tape to speed the launching of important new energy projects like pipelines, seaports and refineries. He would take steps to speed the construction of the long-pending pipeline from California to Texas so that Alascan oil, which is now creating a glut on the west coast, could flow inland more freely. And he promised to step up exploration and production of oil and gas on federal lands.

significant measures

In addition, he would shortly send his personal representatives to Mexico to conclude an agreement on sales of Mexican gas to US at a price that is fair to both parties. He had ordered the three federal agencies which regulate the coal industry to report to him "within 60 days" on ways to encourage greater use of coal, which is the most abundant fuel resource of America. And he was soon going to announce "significant measures" to increase and to accelerate the use of solar energy.

As for conservation of oil, Mr Carter referred to the pledge taken jointly with other OECD nations to reduce oil consumption by five per cent across the board. Such a reduction, it was assumed, would sufficiently ease the world demand for oil to make it difficult for OPEC to dictate further price hikes.

To reach this conservation goal, he mentioned several specific actions to be taken with the Congress's approval where necessary : setting the thermostats in all commercial buildings no higher than 65 degrees in winter and no lower than 80 degrees in summer, to eliminate free parking for government employees, to discourage driving to work ; tax credits to encourage the use of wood-burning stoves; enforcement by all state governments of the 55 mile-per-hour speed limit (which saves lives as well as gasoline); if necessary, weekend closings of gasoline ser-

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(Amount in Crores of Rupees)

	1977	1978	Growth Rate
CAPITAL & RESERVES	6.50	8.65	—
TOTAL DEPOSITS	845.11	1076.26	27.4%
TOTAL ADVANCES	560.36	673.40	20.2%
Of which Advances to Priority Sectors	254.20	300.04	18.0%
Total Working Funds	991.32	1226.70	23.7%
Net Profit	1.92	2.10	—
Number of Deposits and Borrowing Accounts (In lakhs)	73.31	81.16	
Number of Personnel	18703	22267	
Number of Branches:	944	1005	
Rural	384	414	
Semi Urban	231	247	
Urban	137	143	
Metropolitan and Port Town	191	200	
Overseas	1	1	
Regional Rural Banks sponsored by us	5	5	
No. of branches of Regional Rural Banks	159	231	

STATEMENT OF POSITION AS AT 31st DECEMBER 1978

(Amount correct to a rupee)

CAPITAL AND LIABILITIES		Rs.
Capital (wholly owned by the Central Government)		3,00,00,000
Reserve Fund	3,82,00,000	
Other Reserves	1,83,00,000	5,65,00,000
Deposits & Other Accounts		1076,25,77,525
Borrowings from Banking Companies, Agents etc.		50,35,46,118
Bills payable		29,08,83,209
Bills for collection being bills receivable as per contra		70,57,17,362
Other Liabilities		62,12,03,015
Acceptances, Endorsements and other obligations as per contra		33,17,28,418
Profit and Loss:		
Net Profit	2,10,00,948	
Less: Amounts transferred to		
Reserve Fund	67,00,000	
Contingencies	1,20,00,000	
	1,87,00,000	
Balance to be transferred to Central Government		23,00,948
TOTAL		1330,44,61,595

PROPERTY AND ASSETS	Rs.
Cash in hand, with R.B.I., S.B.I. etc.	103,40,72,883
Balances with other Banks	10,09,32,466
Money at call and short notice	4,00,000
Investments in Govt. and other Trustee Securities Debentures, shares etc.	355,85,37,411
Advances - including Bills discounted and purchased	673,40,24,169
Bills receivable being bills for collection as per contra	70,57,17,362
Constituents' Liabilities for acceptances etc.	33,17,28,418
Premises etc. less depreciation	3,02,15,563
Furniture, Fixtures, Vehicles etc. less depreciation	5,48,58,791
Other Assets	75,32,89,307
Non-Banking Assets less depreciation	6,85,225
TOTAL	1330,44,61,595

vice stations; relaxation of certain environmental targets to help avoid serious shortages of gasoline ; steps to generate more power in non-oil-burning plants. Finally, Mr Carter asked every American to drive 15 miles less per week than he or she does now.

The list is long and consists of disparate items ranging from the serious almost to the trivial. Taken in its entirety, his new energy programme breathes a sense of urgency, even of desperation. So far, however, this has been matched not by boldness of action or of imagination, but by quite extraordinary bickering against the oil industry. Phased decontrol is a step in the right direction, but it is a slow and timid step. For reasons stated earlier, it will bring little or no immediate relief in terms of oil imports. Nor can it be counted upon to make a significant contribution towards a lasting solution of America's desperate energy problem.

Economics of lassi : a break-even analysis

Raj Vir Singh, Satish K. Sharma & K.K. Kalra

The break-even analysis made by the authors who are associated with the National Dairy Research Institute, Karnal, indicates that the present production of lassi at one of the plants installed for the processing of 20,000 litres of milk was covering only the cost of production and additional quantities should be manufactured to cover distribution cost and earn profit.

AMONG ALL the dairy products, Lassi (fermented milk) occupies a unique position as it is consumed throughout the world with different names and manufactured with different techniques. In this country, this product has been consumed since long in the villages. In villages, it is prepared by churning Dahi (curd) with frequent addition of water until the butter granules are formed. The diluted beaten curd, remaining after the butter is removed, is known as lassi. With the advancement of dairy technology and the increased demand of the dairy products in the urban centres, this product is now being manufactured in some of the dairy plants established in the organised sector with scientific methods. The installation of the dairy plants involves huge capital investment on buildings and equipment. It is, therefore, essential that each product in the plant is manufactured at the maximum operational efficiency. This warrants a detailed anaysis of the cost components and expenditure on various operations required for manufacturing the product. The present analysis attempts to estimate the cost of production of lassi in a public sector dairy plant situated in north-west India. The break-even analysis was obtained to arrive at the quantity of lassi to be manufactured to cover at least its total cost of production.

The plant has an installed capacity of handling 20,000 litres of milk and its average throughput during the study year (1976-77) was 8000 litres per day. The different types of milk were processed and lassi, paneer, ghee and icecream were manufactured in the plant.

The present study is based on the data collected for the financial year 1976-77 from the case plant. The records maintained in the plant, personal interviews and actual observations were used to record the information depending upon their nature and availability.

joint products

The plant was processing and manufacturing different types of milk and milk products. It was found that certain items of expenditure were incurred jointly on different products. To arrive at the unit cost of production of the individual product it was essential to apportion and allocate these joint costs on the appropriate scientific basis. For that purpose the different expenses were grouped in 18 cost components.

For manufacturing lassi, the standardised milk with 3.0 per cent fat and 9.06 per cent SNF is taken, homogenised, pasteurised in vat pasteuriser at 80°C for 30 minutes and cooled. The curdling is done by adding starter culture and is kept for 18 hours. Then it is blended by adding 9.0 per cent sugar and 0.01 per cent flavour and is filled in 200 ml bottles.

During the reference year the plant manufactured 3785 bottles of lassi and incurred Rs 2996.24 as total cost of production. This resulted in 79 paise cost of production per bottle of lassi (Table 1). Interestingly, the share of expenditure on processing was more than half (57 per cent) of the total cost of production. Because of low level of the quantity of product manufactured, the depreciation and interest on equipment accounted for about 18 paise per bottle

TABLE I

Component-wise Cost of Lassi Production

Cost components	Cost per unit (Rs/ bottle)	Percentage to total cost
A. **Raw Material**	0.34095	43.07
B. **Manufacturing**		
Electricity	0.00543	0.69
Water	0.00883	1.12
Steam	0.02970	3.75
Refrigeration	—	—
Maintenance	0.00657	0.83
Labour	0.06693	8.45
Store maintenance	0.01461	1.85
Packing material	0.06046	7.64
Detergent	0.00426	0.54
Quality control	0.00287	0,36
Administ. and office	0.01482	1.87
Depreciation on equipments	0.09208	11.63
Interest on equipments	0.09096	11.49
Depre. on buildings	0.01101	1.38
Interest on buildings	0.01102	1.38
Milk/milk solid losses*	0.03796	1.01
Sundry items	0.02325	2.94
Sub Total B	0.45076	56.93
Total cost of production (A+B)	0.79171	100.00

*At all stages of production.

of lassi in the production cost. The important components of cost were labour (7 paise), packing material (6 paise), and steam (3 paise) sharing jointly about 20 per cent of the total cost of production.

The raw material cost for lassi included all the expenditure incurred on milk and other raw materials used in the manufacturing of lassi. The expenditure incurred in purchasing milk and its procurement, reception and chilling and also on SNF, sugar and flavour were included in this cost group (Table II). In the total cost of raw material, the expenditure on payment for milk to the producer was maximum (20 paise per bottle) followed by other raw material (9 paise per bottle). The expenditure on procurement contributed about 10 per cent in the total cost of raw material for this product.

TABLE II

Break-up of Raw Material Cost of Lassi

Raw material cost	Cost per unit (Rs/bottle)	Percentage to total
Raw material		
(i) Milk	0.20288	59.50
(ii) Other than milk*	0.09523	27.93
Procurement	0.03427	10,05
Reception	0.00622	1.83
Chilling	0.00235	0.69
Total	0.34095	100.00

*Includes SMP, sugar and flavour.

The details of processwise cost for manufacturing a bottle of lassi are given in Table III. Among all the operations, homogenisation was the most expensive process commanding about 46 per cent of the total cost of processing.

Again, because of small quantity of lassi manufactured during the year, the depreciation and interest on buildings and equipment accounted for major share (85.50 per cent) in the cost of homogenisation and remaining (14.50 per cent) was on steam, electricity, labour etc. Bottling turned out to be the next process in importance having an expenditure of 16 paise per bottle. In the bottling operation, the expenditure on packing, labour and bottle breakage taken together was 10 paise per bottle and accounted for about 60 per cent of the cost of the operation.

To estimate the break-even output* of lassi the total cost of production** of lassi was segregated in fixed and variable costs. The fixed cost included the depreciation and interest on equipment and buildings and the salaries of staff. Then all other operational expenditure was included in variable cost. The total cost incurred on manufacturing lassi during the reference year was Rs 2996.24 which comprised Rs 1733.37 as variable cost and Rs 1262.97 as fixed cost. The calculated average variable cost was 46 paise per bottle of lassi and the average sale price of the same was 80 paise per bottle.

The estimated break-even output was 3693 bottles which was slightly lower than the actual output (3785 bottles) of lassi in the plant during the year.

This indicated that at the given level of production and the prevailing market prices the product was just covering its total cost of production leaving the plant with nearly no profit no loss. However, if the cost of distribution is included in the total cost, the product would naturally become uneconomical and, therefore, it may be suggested that the plant should increase its scale of operation so that it could cover the cost of production and distribution and the product may give a net margin to run the plant profitably, as far as lassi manufacturing is concerned.

TABLE III

Process-wise Cost of Production

Name of the process	Cost per unit (Rs/ bottle)	Percentage to total cost
Standardisation and blending	0.02223	4.93
Homogenisation	0.20833	46.22
Pasteurisation and curdling	0.02486	5.52
Bottling (filling and washing)	0.15880	35.24
Storing (cold storage)	0.00528	1.17
Milk/milk solid losses*	0.00726	1.76
Sundry	0.02327	5.16
Total	0.45076	100.00

*At all stages of production.

This analysts was done to estimate precisely the cost incurred on different components and operations used in the manufacturing of lassi in a public sector milk plant in north-west India. The plant has a rated capacity of handling 20,000 littres of milk and average throughout of 8,000 litres per day during the reference year (1976-77). As the plant processed different types of milk and manufactured various milk products, an appropriate and scientific costing methodology was developed to arrive at unit cost of production of different products.

The cost of production per bottle (200 ml) of lassi manufactured was 79 paise comprising 43 per cent on raw material and 57 per cent on different operations. The expenditure on the purchasing of milk and other raw material accounted for 87 per cent of the raw material cost, while the homogenisation and bottling shared about 81 per cent of the processing cost.

The break-even analysis indicated that at the present scale of operation, the lassi was covering only its cost of production and additional output should be manufactured to cover the distribution cost and earn profit.

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*The break-even output was calculated by employing the following formula:

$C = a + by$

$TR = PY$

where: C = Total cost (Rs)

a = Total fixed cost (Rs)

b = Average variable cost (Rs)

TR = Total revenue (Rs)

Y = Output (kg)

P = Average price (Rs)

The break-even output will be at a point where:

$TC = TR$

or $a + by = PY$ or $Py - by = a$ or $y(P - b) = a$

or $Y = \frac{a}{P - b}$

**To find out the break-even output the total cost should include expenditure on production and distribution. However due to limitation of time and data on distribution expenditure it could not be included in the total cost. The cost of production was then taken as proxy for total costs.

MOVING FINGER

I cannot really blame Mr Sanjay Gandhi. He is only trying to politicise and unionise the youth. Both are processes—"politicising" and "unionising"—which are favoured even in more adult quarters. Take, for instance, Prof. Raj Krishna. At a symposium held under the auspices of the Indian Bureau of Parliamentary Studies in New Delhi some days back, he said that landless labourers and the rural poor had to be politicised and unionised if they were ever to get their rights, or escape from the poverty trap. The prescription seems innocent enough and reasonable too. But, let us look at it a little more closely and not just take it on trust simply because it comes from so articulate a member of the Planning Commission.

In the first place, are the rural poor not politicised? Surely Gandhiji and the freedom struggle had accomplished a lot in this direction. Very much more recently, the DMK and the ADMK, between themselves, have certainly done their damnedest to politicise both the rural and the urban poor. Only, this has made it easier for demagogues, irrespective of their party labels, to exploit the poor more easily as political fodder. MGR and Mr Karunanidhi are as much village deities as they are slum gods. Is it too early, then, to suggest that the political education of the rural poor through the proper use of the mass media is one thing and "politicising" these people is another?

"Unionising" them would of course be an absurdity. The essence of trade unionism is the power to bargain. Workers in organised industry and some categories of white collar workers have this power. They can withhold or withdraw their labour in an organised manner and while acting within the four corners of the law in their attempts to enforce their demands, or win acceptance for their claims. Landless labourers, or workers in the rural industry sector do not have this power. Farm labour is to a considerable extent family labour. Much of the worker element in the rural industry sector is also household labour. Who, then, is to strike against whom? Cultivating tenants normally work side by side with hired agricultural workers. At a pinch they could work harder and labour longer hours. Their demand for the services of landless workers and their dependence on outside labour even during the labour-intensive phases of the cropping cycle could be exaggerated. Landowners, again, who do not normally work on their farms could, if the need arises, get down to labour in the fields.

There is in fact no substitute for community support and state protection as an orderly as well as effective means of securing a fair deal for the rural proletariat. This imperative of the situation can be ignored only at our peril. Prof. Raj Krishna is not unaware of this. He recognises that politicising and unionising the rural poor would create law and order problems, but, rather irresponsibly, he suggests that some degree of violence, if found unavoidable, must be accepted as a price that must be paid by the community for justice to its rural poor. This, of course, is the classic Naxalite practice as well as doctrine and when it comes as a sermon from anywhere in Yojana Bhavan, a charitable reaction will be to treat it as a sign of intellectual exhaustion.

Prof. Raj Krishna, in any case, has wearied of Yojana Bhavan and, so we are told, will soon be returning to academic life. But his membership of the Planning Commission has not been without its hour or two of glory. For instance, according to him, he debated with the prime minister himself to secure the Planning Commission's endorsement of the Maharashtra government's employment guarantee scheme. He is distressed that he has not been able to sell his idea of a ceiling on corporate assets to the Janata party panel on large industrial houses.

The Kanti Desai affair has erupted again. For this the father is more to blame than the son. It is surprising that Mr Morarji Desai should have overlooked the fact that none of the allegations or accusations was directed against him personally. The gravamen of the charge was that Mr Kanti Desai, a private individual, had abused or taken advantage of his father's position in government to make money by means which were not above board. It is only when a person holding public office is accused of having made improper use of his position that the government should order a judicial or a quasi-judicial enquiry. Where a cognizable offence is alleged to have been committed by a private individual, the police may enquire into it in the normal course provided the first information report warrants investigations being pursued. Where the misdemeanour complained of is not cognizable, the party claiming to be affected may take the matter to the courts.

Even if it is argued that any near-relation of a politician in office should be above suspicion of having gained unduly from that relationship or clear himself of allegations to that effect, for the sake of that politician's fair name or reputation, the straight course is for the private individual against whom charges have been made to seek legal redress. While, unfortunately, MPs who make allegations against private individuals on privileged parliamentary occasions, cannot be proceeded against in this manner, so far as Mr Kanti Desai is concerned, there are enough traducers, not enjoying such immunity, who can be brought to court if he desires to vindicate himself. This would help to depoliticise the issue and it is quite a mystery why Mr Morarji Desai has given no such advice to his son. It is after all very well known that this is the course of action which Mr Desai generally prescribes for people in the position in which Mr Kanti Desai finds himself.

VB

Cover story

The world his oyster

Recently, in Bombay, the Editor discussed with Mr Aditya Vikram Birla, the drives behind the remarkably creative career of this young industrialist who is now in his thirtysixth year. The only son of Mr Basant Kumar Birla, who is the third and youngest son of that grand old man of industrial India, Mr Ghanshyam Das Birla, Mr Aditya Birla is refreshingly free from the banyan tree syndrome. Indeed, he wears his awesome inheritance lightly and has obviously resolved from the very start to be himself by himself. A chemical engineer and an alumnus of the Massachusetts Institute of Technology, he has established himself as a dynamic personality in the multi-fibre textile industry, both at home and in the developing countries of Pacific Asia. Passionately interested in India's industrialization, he has nevertheless been able to divert his surplus energies to the promotion of joint ventures, which have made a name for themselves in the Philippines, Thailand, Indonesia and Malaysia. He takes obvious pleasure in the excellence of the productivity performance of his companies and is proud of his textile units abroad more than holding their own against Japanese efficiency in this industry.

Mr Aditya Birla believes as much in team work as in the principles of leadership and he attributes much of his success to the techniques of dialogues and discussions with his managers and technicians which he has painstakingly developed for generating wholesome rivalry among the industrial units over which he presides. He stresses machine productivity as much as labour productivity and believes that, where there is a combination of advanced technology and high quality in machines and commitment and discipline in industrial relations, there is really no limit to what industry could do to serve the public through the larger production at lower costs of products available in the range of quality and variety which consumers may seek. Critical as he is of the negative and restrictive aspects of government policies in our country, his own approach to the problems these difficulties pose is confident and positive, as his observations in these pages will show.

Q: *This discussion may usefully relate to your business interest, your outlook as an independent industrialist and how the younger generation of businessmen could play its part in advancing the social and economic purposes of modern business. The public, obviously, is beginning to take an interest in the role and possibilities of young businessmen with professional competence and outlook in furthering the industrialisation of the country on modern lines. To start with, how did you get interested in business as a career, to what extent your family background influenced you, to what extent your own personal inclinations led you to it?*

Aditya Birla: Well, I think family background plays a major role in moulding the career of any person. As you can see, a trader's son goes into trading, an industrialist's son goes into industry, a cricketeer's son normally takes to cricket and so on and so forth. The fact that I was born in an industrialist family did definitely influence my thinking and I never thought of any other profession apart from going into industry.

Q: *I may add that lawyers' sons usually take up the legal profession and doctors' sons the medical. The IAS also seems to run in families. You are right in saying that it is not only in business but in several other walks of life as well the family background or climate does influence people in choosing their careers. We have had quite a few examples of this, some of them not very savoury, perhaps in politics too. Now, how exactly did you prepare yourself for your business career in terms of your family associations and also in terms of what modern education could offer by way of business learning?*

Aditya Birla: Well, I first took my education at St. Xavier's College, Calcutta, and thereafter I did chemical engineering at the MIT in the United States. There was a lot of chemical industries in the family and therefore I thought this would give me a good background. Together with chemical engineering I did economics as my minor subject and, therefore, this academic background was very helpful to me in trying to understand business.

The education at the MIT is especially useful because it gives one a chance to develop one's personality and the most important thing about the MIT is that they let you think independently. You are given various problems and you have to try to solve them with the help of the education and practice that they give you. It is not a question of just trying to learn something and write it down by memory. A lot of creative thinking has to be done at the MIT. This was a very big help to me because, later in life, when problems come up, you can try to solve them by your creative thinking.

Q: *When did you return from the MIT to India? What was the first industry you took complete charge of independently?*

Aditya Birla: I returned to India in 1965 and I was given a licence, just a licence—no factory—for putting up a spinning mill and after that I started from scratch. I began looking after this project and I arranged for the finance and got the entire engineering and everything done all by myself and I put up the plant and now it is doing fairly well and I have doubled the plant capacity since then and it has a very good growth record.

This first industrial unit was the Eastern Spinning Mill at Barasat, near Calcutta and this gave me a lot of experience because at that time I did all the planning and purchasing. I also was a sort of general manager and I put together a team entirely from scratch and this team was very loyal to me since I gave it a chance to prove its worth. Its members are all highly professional people and they have done a remarkable job.

Q: *This is interesting because the meaning of it is you were not given on a platter an established firm or an existing factory just to manage it or keep it running. On the contrary, in spite of your family associations and in spite of the fact that you come from a business house which has already been managing a large number of industries, you were asked to start an enterprise from scratch. This indeed is an admirable way of getting young people into industry.*

You told me a little earlier that your main interest was in chemical industries. However, you cut your teeth on textiles—cotton spinning,—is that right? Thereafter, I suppose, your interest turned mainly to textile industry, both at home and abroad. Would you kindly tell us something about this further expansion or diversification of your activities in India as well as in other countries of the world?

Aditya Birla: At the Eastern Spinning Mill, I got a good background because I had to start from scratch and I faced all the difficulties that any new entrepreneur would have faced. Of course, there was the experience of the group which I could draw on, but basically I had to do everything myself and build up the industry right from scratch. In this process I learnt a great deal. I made mistakes no doubt, but from those mistakes I learnt lessons which stood me in good stead in my later years. After Eastern Spinning, I took over a sick unit—The Indian Rayon Corporation—from one of the industrialists in western India. Here the unit was losing about Rs 24 lakhs the year we took it over and it is here that my basic training in chemical engineering was very helpful. In the very first year after we took over, we made a profit of Rs 30 lakhs and last year's balance sheet shows a profit of over Rs 5 crores. This sick unit was on the verge of closure and the bankers were demanding repayment of loans and there was a virtual breakdown of management. However, after taking over, we could set up a good professional team and after considerable anxiety and difficulties we could turn the corner and now it is one of the good units in India manufacturing rayon yarn.

Q: *The reference to Indian Rayon throws up interesting possibilities. You know, one of the notions prevailing in the government seems to be that only it could be the saviour of sick or ailing industries and that every time some industrial unit or the other finds itself in diffi-*

Be on your feet

I find a visit to various mills is extremely useful. Some of our people do not get time to visit mills of other groups. This I cannot accept. You must find time, at least twice in a year if not three times. This gives you many benefits. New ideas come up. You are exposed to a wider spectrum. Sometimes you find solutions to your own problems in visiting mills, and in some places where you find the standards are higher, we can emulate them. Mention of this must be made in your Monthly Progress Review, so that you ensure visits to mills periodically.

—In a talk to his executives.

culties, government has got to pump in public money and rescue it. I personally do not agree with this view. My own belief is that, within industry itself, managerial talents, financial resources and other kinds of facilities could be mobilised for the rescue of sick units ailing for whatever reason and that this is a much more economical way of doing things and with less cost to the tax-payer than government rushing in every time some firm fails or falls sick. In other words, mergers, amalgamations, take-overs—these are all healthy trends in any growing, live, industrial structure, because thereby the more energetic and more resourceful units or entrepreneurs are able to bear the responsibility of showing that industry as a whole is in proper health. I would like to invite your views on this subject because it has got topical relevance to government's economic policies.

Aditya Birla: As you know, what we need today in India is an efficient sector. It is not a question of whether it is public or private. The efficient sector, whether in the public sector or the private, should be able to produce goods at the lowest possible cost—this is most important.

As far as industrial sickness is concerned, this is not a new thing and not relevant just to India. In Japan the number of business bankruptcies is the maximum anywhere in the world and in spite of that the economy keeps going because those units which are not healthy are taken over by the healthy private sector units and nursed back to health. Therefore, the government should encourage those units which become sick in the private sector being incorporated, amalgamated or taken over by the healthy units so that they can be brought back to health. It is an established fact that the efficient private sector can definitely produce

Indian Rayon : yesterday and today

The directors' report of the Indian Rayon Corporation Limited for the year ended June 30, 1966, had opened with this statement of financial results : "During the year under report the company made a profit of Rs 25.15 lakhs without providing for depreciation. After providing Rs 8.42 lakhs towards fulfilment of export performance guarantee and taking into account the brought forward loss of Rs 31 lakhs, the balance of loss of Rs 15.07 lakhs (excluding depreciation) is carried forward." Depreciation of Rs 1.34 crores in the aggregate (inclusive of Rs 45.3 lakhs for 1965-66) had not been provided on the fixed assets. Arrears of preference dividend amounted to Rs 32.3 lakhs.

The report, however, disclosed that the plant had "achieved the optimum production and all the spinning machines are commissioned". Production of rayon yarn had increased from 1,581 tonnes in 1964-65 to 1,856 tonnes and the sales value from Rs 1.50 crores to Rs 2.15 crores. The output of sulphuric acid had gone up from 4,226 tonnes to 6,674 tonnes and the sales value from Rs 3.65 lakhs to Rs 9.10 lakhs.

The management of the company changed hands in October 1966 *and the reconstituted board of directors, in its report for the year ended June 30, 1967, had to report that the company incurred a loss of Rs 30.34 lakhs without providing depreciation. After certain adjustments, the total amount of loss of Rs 45.37 lakhs was carried forward. Depreciation of Rs 1.80 crores (inclusive of Rs 46.6 lakhs for the year 1966-67) had not been provided on fixed assets. Arrears of preference dividends stood at Rs 40.80 lakhs.*

Moreover, in April, 1967, a serious fire broke out at the company's works causing extensive damage to machinery and building as well as stores, stocks, materials under process and finished goods. However, working round-the-clock, the management was able to restart the plant after a stoppage of 20 days.

The latest balance sheet, which is for the year ended June 30, 1978, sums up the transformation that had taken place in the affairs of this company. The gross profit amounted to Rs 5.14 crores out of which provision for depreciation took Rs 1.01 crores and provision for taxes Rs two crores. After transfers to various reserves and other adjustments, the amount available for disposal was Rs 1.48 crores, out of which Rs 92 lakhs was transferred to general reserve. A dividend of 12.5 per cent was paid on equity shares. This followed a maiden dividend of 7.5 per cent paid in respect of the previous year ended June 30, 1977.

Indicative of the progressive strengthening of the company's operations and finances are the increase in the gross block from Rs 10 crores in 1973-74 to Rs 21 crores in 1977-78, shareholders' funds from Rs 5.44 crores to Rs 11.17 crores (the reserves and surplus included in the latter figure being Rs 6.44 crores), turnover from Rs 11.6 crores to Rs 40 crores and the book value of the equity shares of Rs 100 each (FP) from Rs 142 to Rs 285. (With effect from January 1, 1976 Jay Shree Textiles and Industries were amalgamated wit Indian Rayon.) The company's shares are currently quoted around Rs 340 (May 3).

goods at the lowest possible cost. The government by taking over these units, is further aggravating the problem because they are not able to produce at the right cost and lots and lots of expenses are incurred which could be avoided. The net result is that the public sector loses more and more money and all this burden is ultimately borne by the tax-payer.

Q: *Now, if we could switch over to your foreign interests, the first question that strikes me is that you seem to have been more active in promoting industries abroad than promoting industries in India. Why is this so? Would you say that our government policies have a bearing on the inclination of Indian entrepreneurs to look for opportunities abroad rather than at home?*

I would also ask you to indicate the problems you meet in promoting industries abroad, how they differ from problems here and also the advantages you have in promoting industries abroad, how they compare with the advantages here. For instance, India is reputed to have the advantage of a mass market which is supposed to be a very good attraction for any body wanting to start producing anything in this country. But, in spite of that, countries with relatively small economies—countries such as South Korea, Thailand, Philippines or Indonesia and Malaysia - which do not have large home markets and which in addition are exposed to competition from various suppliers for instance, Japan, how is it that you find it attractive to set up industries in those countries when India itself does need more production, more investment and much more Industrialisation than it has been getting all these years?

Aditya Birla: When I joined business around the year 1965, that was the starting of an era of greater and greater controls over business in general and large houses in particular. As a person who had just joined business, I naturally wanted to do something constructive, put up industries, but there were severe restraints in putting up industries in India. Of course, I did put up factories in India, just five factories in India, but progressively it became more and more difficult to get licences and expand our industries in India. Therefore, I had the option of either sitting at home and doing nothing, or doing something constructive outside, thereby also helping India indirectly.

Of course, my first preference must be for putting up industries in our own country, but when that option is not available, then the alternative is to put up industries abroad and benefit India indirectly by getting foreign exchange by way of dividends, technical knowhow fees, share appreciation etc. I, therefore, took up the possibilities of starting industries abroad, particularly in the Asian countries: Philippines, Thailand, Indonesia, Malaysia and Singapore and in a span of about 10 years we have put up about nine industries in those countries. They are all doing well, producing efficiently, paying good dividends. India has gained substantially by way of direct exports of capital goods and also indirect exports, for we have gained by way of receiving knowhow fees, dividends, royalties. So, as I told you, in an indirect way our government's policies did induce us to put industries outside India, but these industries have helped the country substantially.

As far as these other countries are concerned, I quite agree with you that the market there is not at all as big as in India. In fact, you will be surprised that in the case of the first mill we put up, we had severe difficulties about marketing its products because, living in India, industrialists normally tend to ignore market surveys as they feel that anything that is produced will be sold. However, in these small countries, the market is very limited and one has to be very careful in choosing one's products and one has to do a substantial amount of work as far as the marketing is concerned. So, in our first venture in Thailand, as I told you, we had difficulties in marketing our products. In fact, we had to export from Thailand to other countries such as Indonesia, Afghanistan and Europe. But, subsequently, in the later projects, with the experience that we gained from our first project, we did considerable amount of market survey before putting up the industries and we provided for enough flexibility in our plants so that changes in marketing conditions could be met by our product-mix. These enterprises have therefore been quite successful and the shareholders who have invested have gained substantially and those who have invested with us once have

Thai Rayon Co. Ltd., Thailand

The company was started to manufacture viscose staple fibre with an initial capacity of 24 tonnes per day in 1976. It now manufactures 40 tonnes of staple fibre per day. The total investment in this project is about US$ 20 million. The plant and machinery and technical know-how has been provided by Gwalior Rayon. It is a pioneer project. The goods manufactured by this company are exported to various countries including India. This is the second largest Indian joint venture abroad in any country.

Thai Carbon Black Co. Ltd., Thailand

Gwalior Rayon is at present putting up a Carbon Black project in Thailand with a capacity of 16,000 tonnes per year at a total investment of US$ 16 million. The work on the project has already been started. The project is expected to be commissioned by end 1979. This will be a pioneer project in Thailand.

WORK IS WORSHIP

Mr Aditya Vikram Birla had his schooling in Calcutta and took his B.Sc. Degree from St. Xavier's College in Calcutta. Thereafter, he went to the United States, for higher studies and took his Bachelor of Science Degree in Chemical Engineering (S.B.) from the Massachusetts Institute of Technology, Boston. He returned to India in 1964 and joined business. He has travelled abroad several times—extensively in Europe, America, Japan and south-east Asia. He is a director of the following companies and is closely associated with their management:

Indian Companies: The Gwalior Rayon Silk Mfg. (Wvg.) Company Limited; Hindustan Aluminium Corporation Limited; The Indian Rayon Corporation Limited; and the Hindustan Gas and Industries Limited.

Joint Ventures: Indo-Thai Synthetics Co. Ltd., Thailand; Thai Rayon Co. Ltd., Thailand; Century Textile Co. Ltd., Thailand; Thai Carbon Black Co. Ltd., Thailand; PT Elegent Textile Industry, Indonesia; PT Birindo Fibre Industry, Indonesia; Indo-Phil Textile Mills Inc., Philippines; Olasahar Oil Philippines Inc., Philippines; and Pan Century Edible Oil Sdn. Bhd., Malaysia.

These Corporations produce such diverse items as Rayon Filament, Caustic Soda, Oxygen, Acetylene, Argon, Nitrogen, Textiles, Engineering Files, Flax, Insulators, Viscose Fibre, Cloth, Carbon Black, Coconut and Palm Oil.

Mr Aditya Birla has been particularly successful in rehabilitating the Indian Rayon Corporation which was on the verge of closure. It has not only been able to wipe off all its past losses, but is now a dividend paying concern with healthy reserves. The company has been expanded to thrice its original capacity.

An outstanding feature of his business career is that he has pioneered Indian joint ventures in south-east Asia. It was on his initiative that the Indo-Thai Synthtics Co. Ltd. was promoted in Thailand. This is the first joint venture in that country. The company has an excellent growth record which has created tremendous goodwill and respect for Indian management in Thailand. The company has been able to declare dividends in the second year of its operation and has continuously paid handsome dividends in addition to issuing bonus shares.

The phenomenal progress of Indo-Thai Synthetics Co. Ltd. was again repeated when the management and control of Century Textiles, a losing concern of a local businessman, was taken over and the company made into a flourishing concern which now dictates the textile fashion trends in Thailand.

Mr Birla has promoted the Thai Rayon Co. Ltd., which is producing viscose staple fibre in Thailand and is the first unit of its kind in the country. Apart from making Thailand self-sufficient in viscose fibre it has earned valuable foreign exchange for the country by exporting practically 25 per cent of its production. It has paid dividends from its very first year of operation. The total investment in this project would be 10 million dollars. This is the second largest Indian joint venture abroad. A

Cover picture and pictures in this feature are by Kishore Parekh.

new joint venture for the production of Carbon Black in Thailand—a pioneering venture with an investment of Rs. 10 crores will go into production by 1979-end.

He was also the first to start an Indian joint venture in Indonesia—a textile spinning plant—and the plant is now running at its rated capacity making excellent progress. It employs 600 workers and saves considerable amount of foreign exchange for the country.

Another pioneering venture for the production of 35 tonnes of rayon viscose fibre is about to go into production. This again will be the first venture of its kind in Indonesia with a total investment of Rs. 18 crores.

An Indian joint venture in the Philippines—a textile plant, with a total investment of Rs. 5 crores—is one of his notable enterprises abroad. The plant was started in a record time of six months from the start-up of construction. In its first year of operation it declared bonus shares. The second venture producing coconut oil with a total investment of Rs. 4.5 crores is about to go into production. In Malaysia a venture for palm oil has started production. These Indian joint ventures in Asian countries have created goodwill for Indian management in the government and financial circles and among investors.

Mr Birla is the Honorary Consul General of the Republic of the Philippines in Bombay. He is the President of Sangit Kala Kendra, a cultural institution started in Bombay and a member of the Planetarium Committee of the Nehru Centre, Bombay. He was formerly chairman of Eastern Study Group, Calcutta.

invested with us again in our second, third and fourth ventures. This, I think, shows the confidence in our ventures that has been built up in those countries. The bankers are happy, the financial institutions are happy with our projects and they are always willing to give us loans and working capital credits.

The governments in these countries are happy too because they have seen that we have performed well and you will be surprised that in these countries we have performed better than the American and Japanese mills which are operating there and the basic reason for this is that the American and Japanese tend to view these countries in American or Japanese terms. They think of mass production whilst these countries have small markets and we are able to capture these markets with the smaller production of a wide variety of goods, instead of concentrating on the mass production of one description of goods.

In Thailand and the Philippines, the profits to sales ratio of our textile mills is the best in these countries and during my recent visit President Marcos complimented me on our showing the best profits to sales ratio in the Philippines.

Similarly, in Thailand, whilst in the years 1974 to 1976 most of the textile mills were either losing money or not earning any, we made maximum profits. The bankers ask us what magical recipe we have for making such good profits. In fact, we were offered the management of some textile mills in Thailand. So we have been very successful there, the government gives us praise and shows us respect. In these countries, governments welcome us with open arms, they give us all kinds of incentives to start industries there. President Marcos welcomes us—I have met him many times. In Thailand, we were invited to meet the King. In Malaysia also, the government welcomes us and so also in Indonesia. This is in striking contrast to the conditions existing in India today.

Q: *Would you say that there is a contrast between your foreign and Indian experience in other areas also? For instance, how are your own units in India performing in comparison with your units abroad and, if they are inferior in any respect, what is the reason? In many ways you are in a unique position to answer this. You manage a number of units in the same industry—textiles; and then many of them are abroad and some of them are in India. So you get opportunities for a variety of experiences. How do you pool your knowledge to the best advantage of the various units that you are managing? What are the procedures that you adopt for sharing this knowledge with the executives of the various units, both foreign and Indian and educating your managerial or technical teams in a spirit of healthy competition among your units so that the excellence of one is excelled or tried to be excelled by other units and in that way a dynamic managerial ethos is built into your system of business enterprise?*

Aditya Birla: You have asked me how I compare the performance of our foreign units with that of our Indian units. I can tell you that our foreign units are doing much better and basically the reason is that, in our foreign units, we get the best of equipment. There are no restrictions—we can buy all the equipment from West Germany or the USA or Japan whichever equipment is the best. In India the restrictions are that we can buy only the Indian equipment. The Indian equipment—at the moment—is not as good as the European or the Japanese equipment. Therefore, basically we start with better machines in our foreign units.

All our foreign units are entirely air-conditioned: therefore the working conditions are superior. Then

Indo-Thai Synthetic Ltd., Thailand

A spinning mill with about 12,500 spindles capacity was started in the year 1970 at Bangkok. This plant has been expanded to 30,000 spindles. This is one of the most successful ventures in Thailand. This is the first Indian joint venture in Thailand.

Staple Fibre Project, Indonesia

Gwalior Rayon is setting up a 35 tonnes per day capacity viscose staple fibre project in Indonesia at a total investment of US$ 27 million. The plant and machinery and technical know-how is being provided by Gwalior Rayon.

P.T. Elegant Textile Industry. Indonesia

Century Spg. & Mfg. Co. Ltd. a sister concern of Gwalior Rayon, has put up a spinning plant with a capacity of about 15,000 spindles in Indonesia. The capacity of this plant is being increased to 21,000 spindles. This is the first ever joint venture of India in Indonesia.

Palm Oil Project, Malaysia

A plant for Palm Oil has been put up in Malaysia with a capacity of about 200 tonnes with a total investment of US$ 8 million. The plant is in operation and doing very well.

Coconut Oil Project, Philippines

Century Spg. & Mfg. Co. Ltd, is at present putting up a copra crushing plant with a capacity of 165 tonnes per day, which will be expanded to 250 tonnes per day. Project cost is about US$ 7 million for the first phase.

Indo-Phil Textile Mills Inc., Philippines

This company was started in 1975 with about 15,000 spindles and now it has 23,000 spindles. The total investment in this project is about US$ 12 million. This is the second Indian venture in the Philippines.

Gwalior Rayon, Nagda

Sejin Rayon, Republic of Korea

we get imported raw materials, which are in some cases better than what we get in India today. Another major advantage is that labour in these countries is not pampered. Workers have to work; otherwise all we have to do is to give them one month's notice and terminate their services. Therefore they know that they must produce results. Not that we sack them. We never have had to sack any—but just the feeling that they might lose their jobs if they do not work hard strengthens their sense of responsibility. Here, labour is difficult to work with, whilst abroad they work under discipline. In fact, in many units in India we have found that the workers can give higher productivity—but because of directives from union leaders, they just stick to a particular norm and after reaching that norm they stop producing. This is our biggest difficulty here.

You have asked about sharing of experiences. We have a unique system. We have about 10 spinning mills in all with more than about 250,000 spindles. So we share the experiences of 10 top management and ten top technical teams and this is a very unique exercise. Once a year, we have a meeting of the senior executives of all spinning mills, a conference held in Calcutta to which these people are invited—the top persons on the managerial side, the financial side and the technical side. We all sit down and exchange views. Each unit informs us of the achievements and the difficulties during the year. The achievements are noted by all the other units and as far as difficulties are concerned the various units give their suggestions as to how these difficulties could be met. Therefore, we get the best of each unit and try to emulate the same.

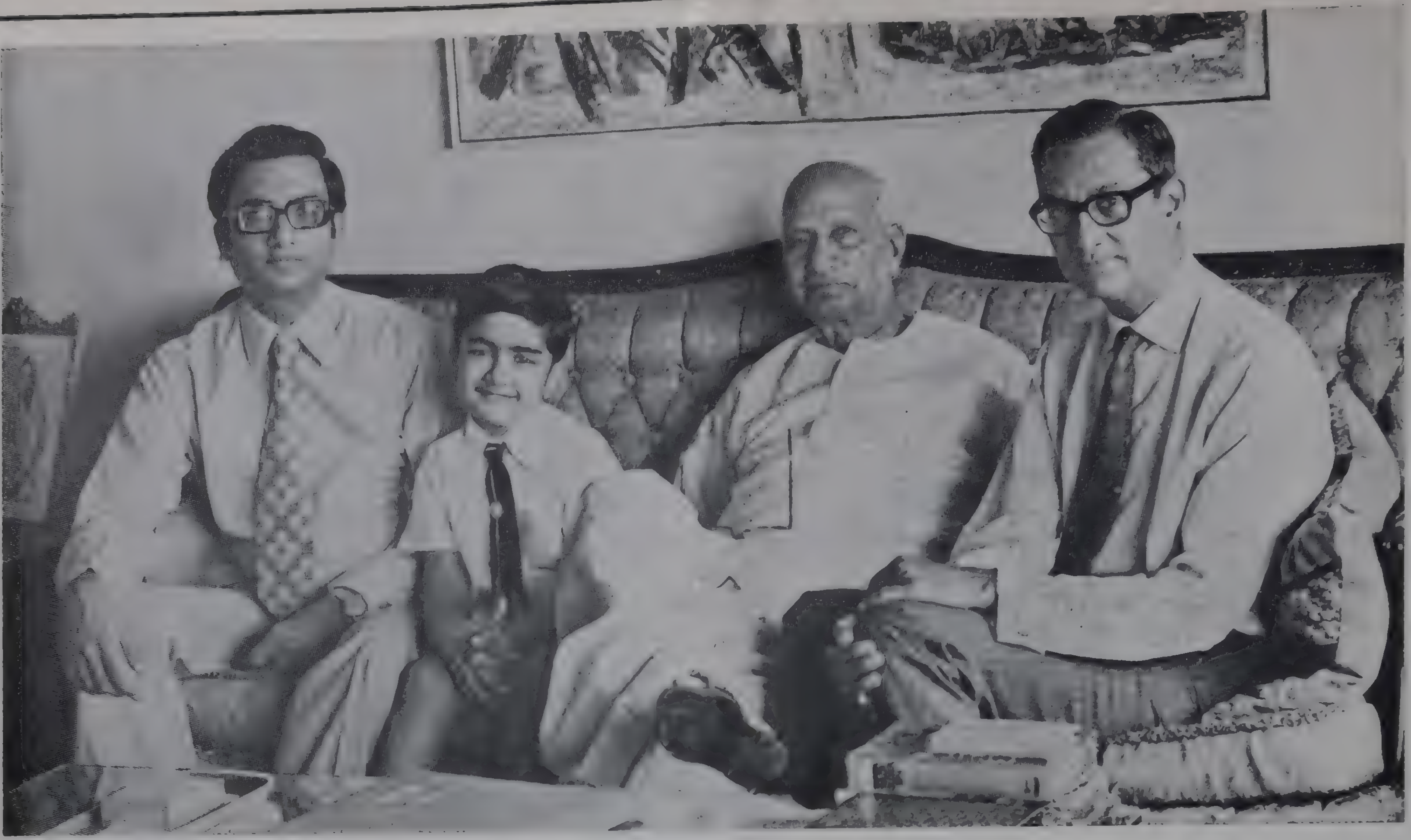
Then, during the conference, we fix our norms of productivity for the coming year. On this we spend about three full days and we fix practically all the possible norms of a spinning mill. For instance, we settle how much should be the production per machine for each of the counts and what should be our waste levels in different counts, what should be the standard of productivity per worker, per ring frame for all the machines, what should be our direct costs, what should be our indirect costs, what should the ideal temperature be, what are the humidity and other conditions that should be maintained, even how many sweepers there should be per unit and how many gardeners.

Then we talk of Research and Development. How, for instance, to go in for the spinning of longer staple fibre? In fact, you will be surprised to hear that, in India, our productivity is the highest in the country today and the productivity outside India is far better than what the Japanese mills are obtaining in these countries. This is really a surprising thing because the Japanese are supposed to be masters in spinning but I can say with confidence and with facts and figures that our productivity in these countries is higher than that of Japanese mills operating in these countries or even Japanese mills in Japan itself.

As far as Japanese mills in Japan are concerned I can understand why they do not get the productivity that we get in our mills in Thailand or the Philippines and the reason is that in Japan they think of per worker productivity and not per machine productivity, because for them wages are so high. But the Japanese, when they run their mills in south-east Asia, should be thinking in terms of per machine productivity because labour cost is relatively low. Talking in figures, I may tell you, like in 20 counts, we are getting now about 16.5 oz. conversion, whilst in Japan you will not be getting more than 14 oz. conversion. Similarly for other counts I can give you many figures. Therefore, we are able to compete with them not only as far as productivity is concerned, but also as far as diversification of product-mix is concerned. On 250,000 spindles today I make about 10 qualities whilst a Japanese mill may make about two or three qualities and the market being a limited one, I have a big advantage compared to the Japanese unit.

Q: *From what you have been saying just now, many important questions arise. In view of how you feel about the constraints on industrial performance in India, would you say that the government should follow a policy of allowing free imports on par with local production in matters of tariff or other factors—free import of capital goods, free import of raw materials and perhaps free import of consumer goods so that the pressure on competitive performance in the Indian economy would increase?*

My second question is: You said that in Japan the emphasis is on productivity per worker because of higher labour cost and in other south-east Asian countries the emphasis should be on the machine, and that is what your people have been doing. When it comes to India, which would you support—productivity per machine or productivity per worker? Obviously, from what you have said I should think it should be productivity per worker and here labour policies, as you have very rightly pointed out, come into conflict with productivity norms. The hire-and-fire policy, rightly or wrongly, cannot work here even as a threat. You have rightly pointed out that so long as discipline is there, the threat need not become operative and that it is enough if it is just there. The very fact that the employer has the right to expect work in return for wages and if he does not get it he can take corrective action—that is good discipline—and it does not have to be exercised every time. But, in



India, as you said, this kind of climate does not exist. Having regard to this, what would you suggest should be done to improve the worker's performance and in what way the government's labour policies could help—and the trade unions?

Aditya Birla: Unfortunately, at the moment, in India, labour leaders have not taken a very constructive view of training and educating labour and workers are therefore not conscious of their duties. In Thailand, the worker, whilst he works, is fully conscious of his duties. He may choose to leave and this is the case in Thailand and there is a large turnover of workers. They leave for one or more of several reasons which have to do with their style of life, but as long as they work, they work conscientiously.

Here, unfortunately, it is the other way round. The worker here does not leave his job, but he does not have pride in the work that he is doing. Labour leaders have a substantial role to play. They should motivate workers to give of their best—not by force but by persuasion and education. Once workers become conscious of their responsibilities, our productivity can definitely increase.

The fear part is not what I am really interested in, for it does not lead you anywhere. Workers must feel by themselves that they must get the maximum productivity. If we can get better productivity from the workers then we can definitely increase our output substantially and then we will become more competitive with imported products.

As for import policy, I cannot generalise and say that imports should be free in case of every item. In some cases this may be justified and in some others not.

Q: *Finally—and this is very important in my thinking—to what extent are your investment decisions or other major business decisions influenced guided or helped by the fact that you are a member of the leading business family in this country; to what extent your elders, for instance, or any kind of a centralised brains trust in your family, weigh in and advise or assist you or other of the younger generation?*

Aditya Birla: As far as business decisions are concerned, in our family, we are in independent charge of our respective units. Whichever units I look after I look after fully and completely. There is no such thing as a centralised cell or brains trust but I always draw inspiration from my father and grandfather. I look at them working so hard and I draw inspiration from this fact. There is not much consultation as such, there is no consultation at all about day-to-day working. As far as policy is concerned, we may discuss in an informal way what should be our plans for expansion. But there are no detailed discussions at any time. I think the main thing is that the inspiration, the blessings of father and grandfather are always there and this I think is sufficient for me to take correct decisions.

TRADE WINDS

Steel Supplies

About 300,000 tonnes more of steel will be available before the end of June this year under the buffer scheme. Review of the steel supply position during 1978-79 indicates an increase of 16 per cent in total availability of steel in the country-over supplies in 1977-78. Total availability during the current year is expected to be over 20 per cent more than the availability last year. The Steel Priority Committee, which recently, under the chairmanship of Mr Mantosh Sondhi, secretary in the ministry of Steel and Mines, reviewed the position of steel supplies during 1978-79 and the approximate demand as against availability for the period April-June, 1979.

Upto the end March, about 200,000 tonnes of various categories of steel arrived through imports under the buffer scheme. Another 300,000 tonnes is in the pipeline and will arrive before the end of June. As a result of these import arrivals, the position regarding the availability of structurals, plates, sheets, and Hot Rolled (HR) and Cold Rolled (CR) coils is comfortable. In respect of galvanised plain and corrugated sheets and electrical steel sheets, the availability is expected to be more than the demand.

To improve the availability of bars and rods which are required for construction both in the government sector and for house building by private individuals, imports on a crash basis are being arranged to supplement domestic availability. The export of semis, bars and rods has has been totally banned.

The Steel Priority Committee noted that as a result of the ban, announced on April 26, and other steps initiated by the government, the market prices for bars and rods had already come down to some extent. To augment supplies to small house builders at reasonable rates, it has also been decided to make available to them construction round bar steel from main producers at stockyard prices, which are lower than the market prices at which this material was being obtained earlier from the rerolling industry and the mini steel plants. The integrated steel plants have been directed to reserve 50,000 tonnes of bars and rods from the existing stocks for house-building as an immediate measure.

Panel on Shipping

The centre has set up a five-member committee to examine the problems of Indian shipping industry. Dr R.M. Honavar, Chief Economic Advisor to the government will be its chairman. The committee will submit its report in three months. It may also submit an interim report suggesting relief measures to shipping companies beyond March 31 to enable them to overcome their problems. The terms of reference of the committee include recommending long-term measures for the management to the current shipping crisis and examination of the working of the existing management structure of shipping companies. It will also consider the question of regrouping of the existing shipping companies, wherever necessary, for maintaining more balanced and viable composition of fleets and take a fresh look into the parameters of the shipping development fund committee for grant of loan and marger of defaulting companies into a new public sector shipping company, if necessary.

Cement Prices

The central government has made some changes in the cement prices, under the Cement Control (Second Amendment) Order, 1979 which has come into force with immediate effect. The prices now are: Ex-factory price of Rs 185.00 for the following units: (i) Associated Cement Companies Limited, Jamul Works, (ii) ACC Limited, Mancherial Works, (iii) Associated Cement Companies Limited, Shahabad Works, (iv) ACC, Kymore Works, (v) ACC, Wadi Works, (vi) J.K. Synthetics Limited, J.K. Cement Works, Nimbahera, (vii) Birla Jute Manufacturing Co, Satna Cement Works, (viii) Orissa Cement Limited, Rajgangpur, (ix) Kesoram Cements, Karimnagar (AP), (x) Saurashtra Cement and Chemical Industries Limited, Ranavav, (xi) KCP Limited, Macherla, (xii) Dalmia Cement (Bharat) Limited, Dalmiapuram.

The price of Rs 205 has been fixed for: (i) U.P. State Cement Corporation Limited, Churk, (ii) Tamil Nadu Cements Corp Ltd, Alangulam, (iii) Industrial Development Corporation of Orissa Ltd, Hira Cement Works, Bargarh, (iv) Associated Cement Companies Limited, Chanda Works (v) ACC, Porbandar Works, (vi) ACC, Kistna Works, (vii) The India Cement Limited, Sankarnagar, (viii) ICL, Sankaridurg, (ix) Birla Jute Manufacturing Company Limited, Durgapur Cement Works, Durgapur, (x) Birla Jute Manufacturing Company Limited, Birla Cement Works, Chittorgarh, (xi) Bagalkot Udyog Limited, Bagalkot, (xii) Hindustan Sugar Mills Limited, Udaipur Cement Works, Udaipur, (xiii) Jaipur Udyog Limited.

The price of Rs 220 has been fixed for: (i) Cement Corporation of India Limited, Kurkunta, (ii) CCIL, Mandhar, (iii) CCIL, Bokajan, (iv) Visvesvaraya Iron & Steel Limited, Bhadravati, (v) UP State Cement Corporation Limited, Dalla, (vi) Mawmluh Cherra Cement Limited, Cherrapunji, (vii) Associated Cement Companies Ltd, Bhupendra Works, (viii) ACC, Sindri Works, (ix) ACC, Chaibasa Works, (x) ACC, Dwarka Works, (xi) ACC, Madukarai Works, (xii) ACC, Lakheri Works, (xiii) ACC, Khalari Works, (xiv) ACC, Savalia Works, (xv) ACC, Banmore, (xvi) Andhra Cement Ltd, Vijaywada, (xvii) Kalyanpur Lime & Cement Works Limited, Banjari, (xviii) Rohtas Industries Limited (including cement unit of Ashoka Cement Limited), (xix) Sone Vally Portland Company Limited, Japla, (xx) Century Cement, Tilda, (xxi) Dalmia Dadri Cement Limited, Charkhi Dadri, (xxii) Madras Cement Limited, Tulkapatti, (xxiii) Panyam Cement and Minerals Industries Limited, Bugganipalli, (xxix) Chettinad Cement Corporation Limited, Karur, (xxv) Mysore Cement Limited, Ammasandra, (xxvi) Shree Digvijay Cement Company Limited, Sikka, Sewree, and Ahmedabad works.

In the case of rapid hardening cement, low-heat cement, and high strength ordinary portland cement, an additional prices of Rs 12 per tonne and in the case of waterproof (hydrophobic) cement, an additional price of Rs 21 per tonne may be added to the price specified above. Cement Corporation of India, Bokajan unit, and Mawmluh Cherra Cement Limited, Cherrapunji, will be eligible, in addition to the prices noted against them above, to an additional retention price of Rs 90.65 and Rs 79.10 per tonne respectively. Kesoram Cements, Karimnagar will be eligible to an additional retention price of Rs 39.64 per tonne consequent on the expansion of capacity from 4.5 to 7.0 lakh tonnes per annum.

Coal Movement

Coal movement from the zonal railways has been at a satisfactory level, except for some shortfall in the Eastern Railway. This was stated in Rajya Sabha recently by Mr Sheo Narain, minister of state for Railways, in a written reply to Mr Prakash Mehrotra. The minister added that the overall shortfall vis-a-vis target set for movement of coal by rail was to the extent of a thousand wagons per day. This was because of a variety of reasons including a change in the pattern of traffic due to substantial imports of cement, fertilizers, coking coal etc and stoppage of foodgrains import; unprecedented rains and floods in the rainy season last year; public agitations in Bihar against the job reservation policy; unsatisfactory performance at various ports; immobilisation of wagons on account of jute workers' strike; and agitations by sections of railway staff on Eastern, Northeast, Frontier and South Eastern Railways. Mr Sheo Narain also informed the member that railways do not move coal from pit-heads. Coal companies load railway wagons supplied in sidings provided in collieries for this purpose.

India Senegal Cooperation

India will participate in a wide range of projects which have been given priority by Senegal in its developmental programe.

A protocol to this effect was signed recently by Mr Cheikh Hamidou Kane, minister of Industry, Republic of Senegal, who was in this country resently and Mr George Fernandes, minister of Industry. The protocol incorporates, a framework of industrial and economic cooperation which is oriented towards results and whose implementation will be time-bound. The main areas identified for cooperation are, manufacture of agricultural implements, agricultural pumps, light tractors, automotive spares; and setting up of general engineering workshops, industrial estates, common facility centres, development of labour-intensive industries like electronics and textiles, fertilizers, manufacture of phosphoric acid from phosphates; development of handicrafts particularly those relating to marble, ivory, glass, wood, leather, basket weaving, cane and jewellery and also porcelain. Indian experience would be availed of in the utilisation of raw materials for industries and training of artisans and craftsmen for rural, cottage and small-scale industries.

The Senegal side desired to be apprised of the development

FORM—II A
NOTICE

It is hereby notified for the information of the public that Shriram Bearings Limited, Delhi proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking for the production, supply, distribution or control of Benzene Hexa Chloride (24-26% gamma isomer content) and its formulations with:-

(i) an installed capacity of 3000 tonnes per annum for Benzene Hexa Chloride (24-26% gamma isomer content); and

(ii) capacity of formulation by utilising 50% of the production of Benzene Hexa Chloride (24-26% gamma isomer content)

with an estimated turnover of Rs. 400 lakhs (based on average current prices).

Other particulars of the proposed new undertaking are as follows:-

(i) Name of the proposed undertaking

The proposed undertaking of the Company will be a unit of the applicant Company.

(ii) Names of person(s) or authority/authorities proposing to establish the new undertaking.

The new undertaking is proposed to be established by the applicant Company.

Management Structure

The Board of Directors of the Company consists of:-

1. Dr. Bharat Ram (Chairman)
2. Lala Shri Dhar (Vice Chairman & Managing Director)
3. Shri Hans Raj Gupta
4. Shri T.R. Gupta
5. Shri S.L. Kirloskar
6. Shri D.C. Kothari
7. Shri S. Ratnam
8. Shri S.N. Bilgrami
9. Shri P.L. Kumar (IFC nominee)

(iii) Capital structure of the applicant person or authority and of the proposed undertaking.

Capital structure of the applicant Company proposing to establish the new undertaking is as follow:-

Authorised capital	**Rupees**
15,00,000 equity shares of Rs. 10/- each	1,50,00,000
50,000 preference shares of Rs. 100/- each	50,00,000
Total	2,00,00,000

Issued, Subscribed and Paid up Capital	**Rupees**
5,50,000 equity shares of Rs. 10/- each	55,00,000
20,000 11% Cumulative, Redeemable Preference shares of Rs. 100/- each	20,00,000
Total	75,00,000

(iv) Proposed location of the new undertaking.

Based on finalisation of the source of supply of chlorine, the proposed undertaking will be located in the state of Rajasthan or Haryana o Madhya Pradesh.

(v) Brief outline of the cost of the project, the scheme and source of finance

Cost of the Project	**Rs. in Lakh**
Land	8
Building	50
Plant & Machinery	375
Other assets	17
Total	450
Scheme and Source of Finance	
Share Capital	55
Term loans	270
Internal accruals	125
Total	450

2. Any person interested in the matter may make a representatio to the Secretary, Department of Company Affairs, Government of India Shastri Bhawan, New Delhi within 14 days from the date of publication o this Notice, intimating his views on the proposal and indicating the natu of his interest therein.

Dated this twentyeighth day of April, 1979.

Sd/-
SHRI DHAR
Managing Director
SHRIRAM BEARINGS LIMITE
D.C.M. Premises, Bara Hindu Ra
Delhi-110 006.

in India regarding rural energy systems, utilisation of non-conventional sources of energy particularly solar energy and bio-gas. Indian assistance will also be availed of in fields of food technology, fruits and grain processing, preservation, dehydration and canning industries. Indian consultancy, supply of equipment and participation in civil construction have also been discussed in relation to large projects to be taken up in Senegal in the irrigation and hydro-electric sectors and also river basin development.

The programme of cooperation envisages participation of several firms and organisations in the private and public sectors—HMT, Indian Handicrafts Board, National Small Industries Corporation, STC, MMTC, CFTRI. Another important area identified in the context of Senegal's eminent position in the cine industry relates to the training facilities to be provided to Senegal personnel at the Film Institute in Pune and also export of Indian cine films to Senegal.

India has agreed to the deputation of experts covering these important fields. Students from Senegal would also be trained in Indian institutions particulary in those relating to agriculture, food technology and agricultural engineering and for post-graduate courses in agricultural sciences and engineering.

World Sugar Price

The international price of sugar is expected to go up as a result of the projected decline in sugar stocks, according to the group of Latin American and Caribbean sugar exporting countries. The market committee of the group which held its tenth meeting in Buenos Aires recently estimated this year's production at 91,520,000 tonnes and consumption at 90,510,000 tonnes resulting in a surplus of 110,000 tonnes. But this estimated surplus is less than the previous estimate made in January. The market committee feels that there is prospect for improvement in the balance between supply and demand which could help sugar exporting countries get remunerative prices. But the group, however, says that the United Stats delay in ratifying the International Sugar Agreement and European Economic Community's refusal to subscribe to the agreement would affect the price situation.

France to Cancel Debts

President Valery Giscard d'Estaing announced on May 2 that France intended to cancel debts amounting to more than 600 million francs ($150 million) owed by developing nations mainly in Africa. The president announced this step in an interview with the Overseas Radio France Internationale. But he added that parliament would have to approve the debt cancellation.

International Tea Panel Meet

The first meeting of the reconstituted International Tea Committee will be held at Darjeeling in November next according to Mr B.K. Goswami, chairman, Tea Board. This country, which is a member of the committee had earlier extended an invitation to the International Tea Committee to hold its next meeting in India which has since been accepted and Darjeeling has been chosen as its venue. Mr Goswani stated that all tea producing countries of the world including China, Sri Lanka, Japan, Indonesia, Kenya and major tea consuming countries such as the UK, the USA, West Germany and some other European countries will participate in the meeting.

Bharat Ophthalmic Glass

After a decade's neglect since Soviet-aided Bharat Ophthalmic Glass Ltd started commercial production in 1968. The government has now taken some steps to determine how the operational and technical functioning of this central undertaking can be improved. The Industry ministry, which controls BOGL, has constituted a high-power technical committee to go into the entire gamut of its operations, suggest measures for improvement and examine the long pending proposal for its expansion.

The committee, headed by Dr S.C. Bhattacharya, chairman of the State Trading Corporation, visited Durgapur for an on-the-spot study of BOGL's operations. The committee has been asked by the ministry to submit its report in three months. It will take into account the findings of the Indian Institute of Management, Calcutta, which has reportedly completed its study of the financial implications of BOGL's move for a tie-up with CARI *Zeiss* of East Germany for inducting continuous process technology for ophthalmic blanks by platinum tank.

Iranian Oil

An official team led by Petroleum department secretary, Mr B.B. Vohra left for Teheran recently for crucial negotiations on the resumption of Iranian crude oil supplies to India. Iranian oil supplies to India were distrupted in November in the wake of the political developments there which led to the stoppage of oil production for quite some time. It is understood that India may ask Iran to supply oil at the previous level of 5.3 million tonnes a year. As a short term measure, the country will request for supplies of at least 2.8 million tonnes this year for the Madras Refinery Limited, in which the National Iranian Oil Company holds 13 per cent of the equity shares.

Petroleum and Chemicals minister, Mr H. N. Bahuguna, said that oil supplies from Iran were expected to the resumed early following the current negotiations. The team is expected to finalise the crude supply contracts.

National Textile Corporation

The National Textile Corporation, which is running 101 nationalised textile units, has for the first time made a net profit of Rs 88.71 lakhs during the first 10 months of 1978-79. This information was given by Mr George Fernandes, minister for Industry in Lok Sabha. During 1977-78 the corporation made a net loss of Rs 28.46 crore against Rs 63.10 crore in 1975-76 and Rs 35.74 crore (Provisional) in 1977-78. During 1977-78, 71 of the 101 nationalised mills made losses, but during 1978-79 the number of losing units came down to 51. Apart from the 30 losing units making profit during 1978-79, the losses of the 41 mills have also come down. Besides, the profits of those who had made profits during 1977-79 improved their performance. NTC is also managing eight other textile mills includ-the six belonging to the Swadeshi group. Among the Swadeshi group, only one mill has recorded a loss during 1978-79 (previous year's profit-and-loss account is not provided in the statement). The remaining five made profits. However, the two other units managed by it still continue to lose, although the quantum of loss has come down from Rs 180.85 lakhs to Rs 79.86 lakhs. Collectively, the eight mills have made a net profit of Rs 188.16 lakhs.

Asian Audit Chiefs Meet

The first assembly of the Asian Organisation of Supreme Audit Institutions was held in New Delhi from May 7 to 11, 1979. Mr K.S. Hegde, speaker of Lok Sabha inaugurated the assembly. The conference was attended by representatives of the supreme audit institutions of Japan, Indonesia, Philippines, Papua-New Guinea, India, Thailand, Malaysia, Bangladesh, Nepal, Sri Lanka, Pakistan and Republic of Korea. The Controller General of Equador who is the President of Latin American Institute of Audit Sciences (the regional group of Latin American Supreme Audit Institutions) and the President, Board of Accounts, Spain, who is also the vice-president of the International Organization of Supreme Audit Institutions also attended. Besides, observers from the Australian Auditor General, the General Accounting Office of the USA, Berlin Court of Audit, Public Administation Promotion Centre of the German Foundation and a representative of the World Bank also attended the assembly.

Garments Exports to Greece

The Trade Development Authority is to explore the Greek market for cotton and silk ready-to-wear garments. Export potential for cotton hosiery will also be studied. The decision follows TDA's quest for exploring new markets which do not have quota restrictions. With this in view, a contact promotion programme has been undertaken by TDA to establish trade contacts with Greek importers of fashion apparel. The programme will provide exposure to the Indian merchandise in that market.

A senior TDA officer who is in Athens will be joined by four industry representatives later this month. The TDA officer will identify major buyers and producers in Greece and establish contact with trade and industry associations, importers, wholesalers and distributors. Together the five-member team will undertake a month-long study and collect data and information on prices, marketing practices, possible modifications of designs, custom regulations and distribution channels in Greece. The programme is aided by Commonwealth Secretariat. Samples of popular items and designs will be procured for adaptation by Indian exporters and manufacturers. The team will be assisted by a leading marketing consultant in Greece.

GSFC Regional Office

The Gujarat State Financial Corporation has opened its regional office at Ahmedabad recently for decentralising the work. The corporation has already set up such regional offices at Rajkot, Baroda and Surat. The jurisdiction of Ahmedabad regional office extends to five districts viz. Ahmedabad, Sabarkantha, Gandhinagar, Banaskantha and Mehsana. It will undertake promotional work, provide guidance to the entrepreneurs and undertake follow-up of loans granted to industrial units.

Foodgrains for Bangladesh

India has agreed to supply 50,000 tonnes of wheat and 150,000 tonnes of rice, to Bangladesh on a commodity loan basis. An agreement on the loan was signed recently by central minister for Agriculture and Irrigation, Mr Surjit Singh Barnala and the Bangladesh Food minister, Mr Abdul Momen Khan. Under the agreement, wheat would be delivered this month and rice between June and August. The loan would be free of interest if it is repaid within eight months after completion of the delivery.

While wheat will be delivered partly by rail and partly by sea, the entire quantity of rice will be transported through sea. The agreement concluded recently is in pursuance of the request made by the president of Bangladesh to prime minister Mr Morarji Desai during his recent visit to Bangladesh.

Mr Momen Khan, pointed out that Bangladesh was also following a policy of making the country self-sufficient in food. But the present difficulties were caused by natural factors like drought and floods. Between two neighbouring countries, he said, the strength of one, political, economic or otherwise, was also an asset to the other. He thanked India for helping Bangladesh in the time of need.

Export of Glass

A delegation from the Indian glass industry, which has just returned from a tour of south-east Asia and Australia, has secured a record export order worth about two million dollars. It constitutes almost 80 per cent of the industry's exports to this region, last year, which, according to available estimates, are put at $ 2.77 million in 1977-78. The delegation, which included three members from the industry and one from CAPEXIL, toured Philippines, Malaysia, Indonesia, Thailand and Australia to finalise on-the-spot deals for flat glass, false pearls, glass beads and vacuum flasks. They also explored the possibilities for joint ventures.

According to members of the delegation, there is a possibility of setting up a joint venture glass beads plant in Malaysia and a vacuum flask plant in Indonesia. There is also a possibility of exporting Rs 1 crore worth of vacuum flask refills per year to this region.

Thailand, Malaysia, Philippines and Indonesia offer good scope for exports the delegation has observed. It has stated that there is a good scope for exporting vials, scientific glassware and household items like tumblers to this region. Indian crockery also has a good market. The delegation was led by Mr P. Talukdar, sales manager, exports, Hindustan Pilkington Glass Works Ltd, Calcutta. The other members were: M

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S.D. Agarwal, director, JG Glass Industries, Pune; Mr R.K. Gupta, partner, Benaras Bead Manufacturing Co, Varanasi and Mr A. Banerjee, senior officer, CAPEXIL.

Cooperative Banks' Advances

The total credit disbursed by the 290 commonly reporting state and central cooperative banks during the calendar year 1977 amounted to Rs 4,029 crores, against Rs 3,842 crures disbursed in 1976, representing a rise of 4.8 per cent, The rise was accounted for by both short-term loans and term loans, the former being higher by Rs 121 crores at Rs 3,810 crores and the latter by Rs 67 crores at Rs 219 crores, according to a study prepared in the Rural Economics Division of the Economic Department and published in the December 1978 issue of the Reserve Bank of India Bulletin. The total loans outstanding as at the end of 1977 stood at Rs 2,030 crores, against Rs 1,752 crores at the end of 1976—an increase of 15.9 per cent.

Primary agricultural credit societies accounted for the highest proportion of co-operative finance during 1977. They received credit totalling Rs 1,174 crores (29.1 per cent of aggregate credit), Rs 147 crores more than what had been received in 1976. Marketing societies, which had emerged as the biggest group of borrowers in 1976 occupied the second place during 1977, with borrowings of Rs 1,109 crores. Processing societies continued to be the third largest group of borrowers, claiming Rs 563 crores or 14 per cent of the total credit. A credit flow of Rs 200 crores to consumers' societies was more or less of the same magnitude as in the previous year.

State-wise disparities in the distribution of short-term credit persisted. Maharashtra and Gujarat maintained their first and second positions with Rs 1,438 crores and Rs 629 crores, respectively. Next in order was Tamil Nadu with a credit of Rs 464 crores, followed by Punjab with Rs 205 crores. The share of the remaining states was less than five per cent each. Distribution of short-term cooperative finance continued to be in favour of crop loans which accounted for Rs 838 crores or 22 per cent of total short-term borrowings in 1977. Deployment of credit for procurement operations declined from Rs 780 crores in 1976 to Rs 603 crores in 1977.

Names in the News

Mr R.C. Maheshwari, general manager of Texmaco Ltd and **Mr A. Bir**, managing director of Stewarts and Lloyds of India Ltd have been elected chairman and deputy chairman of the Indian Engineering Industry (Eastern Region) respectively for 1979-80.

Mr Rahul Bajaj has been elected president of the Association of Indian Engineering Industy (AIEI) for the year 1979-80 at its fifth annual meeting held on April 26, 1979. Mr Rahul Bajaj is the chairman and managing director of Bajaj Auto Limited—the largest company in the Bajaj group in terms of sales turnover and profits earned. Mr Bajaj is connected with various industrial organisations and has been; chairman, Development Council for Automobiles & Allied Industries; president, Association of Indian Automobile Manufacturers; vice-president, Maharatta Chamber of Commerce & Industries, member, executive committee, the Indian Merchants Chamber; member, working committee, AllIndia Manufacturers Association and member, executive council.

Mr Kamaljit Singh, presently managing director Associated Cement Company, is expected to take over as the new director-general, All-India management Association (AIMA) in September this year.

The newly appointed senior vice president of the Bank of America's Southern and South East Asia area office, **Mr John A. Lucchesi** arrived in New Delhi on May 5, 1979 on a 3 day familiarisation visit. During his visit Mr Lucchesi had the opportunity to call upon Mr Charan Singh, deputy prime minister and minister of Finance and Mr Biju Patnaik, minister for Steel and Mines. Mr Lucchesi's visit coincides with the inauguration of Bank of America New Delhi branch's permanent premises on Barakhamba Road.

Mr Pratap Sinh Nevlakha, has been elected chairman of the Indian Paper Makers Association for 1979-80. He is the president of Straw Products Ltd. He is also on the board of directors of J.K. Industries Ltd, J.K. Business Machines Ltd, J.K. Udyog Ltd, Bhopal Udyog Ltd and Aerofil Papers Ltd.

Mr A. Sivasailam, chairman, Amalgamations Ltd has been conferred with the outstanding industrialist NIQA 1978 award instituted by the National Institution of Quality Assurance.

Mr P. Maruthai Piila, managing director of Aruna Sugars Ltd, has been elected chairman of the Tamil Nadu State Board of the All India Manufacturers Organisation for the year 1979.

Mr S.N. Dalmia has been nominated as chairman of the National Alliance of Young Entrepreneurs, West Bengal. He will take over from Mr B.K. Swaika, outgoing chairman, on July 1, 1979,

Mr R.L. Gupta has taken over as the chairman of the Wire and Cable wing of the National Alliance of Young Entrepreneurs (NAYE).

Dr Jagjit Singh, Secretary General, Institute of Marketing & Management has been nominated by the ministry of Industry as member of the general body of the Small Industry Extension Training Institute, Hyderabad for three years. He has also been nominated as an expert on the research
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Ashok Leyland Limited

Ennore Madras 600 057

Speech delivered by Mr S Ranganathan, Chairman, Ashok Leyland Limited, to the Shareholders at the 30th Annual General Meeting of the Company held on 30th April 1979 at Ennore, Madras 600 057

Friends:

It gives me great pleasure to welcome you all to the 30th Annual General Meeting of your Company. The Report of the Directors and the Accounts for the year ended 31st December 1978 together with the Report of the Auditors have been with you for some time now.

In my speech last year I made mention of the Government's appreciation of the vital role of the Transport Industry and expressed some optimism in regard to the growth of the automobile industry. You will be pleased to know that as a result of various steps taken by the Government in providing assistance to the industry, total production of commercial vehicles in India recorded an increase of 38% during the fiscal year 1978-79 over the previous year. As you will have seen from the Annual Report, our own production during 1978 recorded an increase of 37% over the previous year.

The increase in production has been possible with Government assistance in allowing import of critical components which were not available in the volumes required by us from our indigenous suppliers. Import was also permitted of those items where we had capacity constraints. But imports cannot be a permanent solution. With increased inflow of imports, cost disparities between domestically produced and imported components have inevitably resulted in price increases of the finished vehicles.

Although it has been the Government's intention to keep under check the overall price situation in the country, the recent Budget proposals have encouraged inflationary tendencies in the economy. The recent rise in price of steel and various other engineering goods coupled with the excise levies cannot but affect the price of our own products.

Recent developments esulting in the phenonal increase in the d prices of crude oil er-shadowed the blems we are the home front. of concern for all of nce again faced with a situation of acute power shortage all over the country as a result of which, amongst other things, we are already experiencing difficulty in obtaining supplies of materials and components. Our own problems at Ennore have been compounded by the fact that we are unable to utilise our captive generating capacity on account of scarcity of diesel. There would, therefore, appear to be no escape, at least for this year, from continuing imports of critical components.

I am, however, not unduly pessimistic as the Indian Automobile Industry is used to vicissitudes and we, as in the past, shall treat them as a challenge and continue to maintain the growth in your Company, both in regard to production and sales.

Inspite of substantial increase in the production of commercial vehicles the demand remains unsatisfied to a considerable extent. Your Company has obtained Government of India's approval for increase in licensed capacity for the manufacture of medium duty vehicles to 12,500 per year and you will be happy to know that we have already taken effective steps for achieving this capacity as rapidly as we can. In addition, the Company has undertaken programmes for replacement and modernisation of production facilities and our request for soft loans to finance this investment has been approved by the financial institutions.

With the increasing activities of the Company, your Directors have decided to establish a second location for our manufacturing activities and a site has been chosen in Hosur, declared as a backward area by Government. We are hopeful that our construction activity at this new site will commence within the next few months.

The demand projections for commercial vehicles prepared by the Working Group on Transport Industry constituted by the Government of India, the recommendations of which have been accepted in principle by the Planning Commission, confirm the need for your Company to consider further expansion of activities and Government of India have also been impressing on us the urgency of our undertaking further expansion. We hope to submit very shortly an application to the Government for permission to increase the licensed capacity from 12,500 to 40,000 vehicles per year. This will be a major step for your Company but I am confident that with the ability and maturity of your management team and workers this ambition is not beyond our capacity to achieve.

Apart from expansion of volumes, we are actively looking at the upgradation of our products and the introduction of new vehicles. Last year I dwelt at some length on the research and development efforts undertaken by your Company. The new vehicle, Tusker, with a gross vehicle weight of 13 tonnes, which was introduced last year has become extremely popular in the market and we are increasing our production of this model to meet the market demand. An event of considerable significance during the year has been the development of an indigenously designed multi-axle vehicle with a gross vehicle weight of 18 tonnes to carry higher payloads. You might be aware that there is a legislative restriction in India on the load carrying capacity per axle and this new vehicle, which has stood well in extensive field trials so far, should provide the means of overcoming this constraint. We have also entered into an agreement with Leyland Vehicles Limited for their providing know-how for up-dating the technology of engines and axles. Your Company continues to accord the highest priority to Research and Development and it is our endeavour to keep abreast of technological developments and to design our vehicles in a manner which is best suited to Indian conditions.

With all these schemes for expansion, replacement and modernisation, research and development we are planning to spend during 1979 nearly Rs 18 crores on capital items which will amount to more than 11% of our turnover. This size of investment reaffirms our confidence in the future but it is to be appreciated that this kind of spending will show up in depreciation costs and would, therefore, have an effect on the profitability of the Company inspite of higher turnover.

You will recall that during 1978 the Company capitalised a part of its General Reserve with the issue of equity shares as fully paid bonus shares in the ratio of one share for every two shares held. Taking into account the capital as enlarged by the issue of bonus shares, your Directors have recommended payment of a dividend of 16%, subject to deduction of tax and you will no doubt agree that this compares very favourably with last year's dividend of 18%, which was on a much lower capital base.

The recent public issue was over-subscribed about 14 times which, you will agree, is a clear indication of the confidence placed by the investing public in the management and future prospects of your Company. The basis of allotment of shares as per the Government guidelines have been finalised, in consultation with the Madras Stock Exchange, and the allotment will be made shortly.

Following the sanction accorded by you at the last General Meeting, the term of Mr F Holdsworth as Managing Director was extended upto 30.9.1978 but, unfortunately, he could not complete his full tenure due to ill-health. On behalf of you all, I wish to place on record our appreciation of the services rendered by Mr Holdsworth as Managing Director to this Company and wish him well. Mr R J Shahaney, the first national to hold this post, has succeeded Mr Holdsworth as the Managing Director of the Company. I shall not dilate on his competence and dynamism.

Mr D H Pitcher resigned as a Director during the year. Mr D R G Andrews, also tendered his resignation as a Director of this Company in view of his other pressing assignments and Mr J D Abell has been appointed a Director in the casual vacancy caused by the resignation of Mr Andrews. I wish to place on record my appreciation of the advice and assistance given by Mr Andrews during his tenure as Director. Messrs R J Shahaney, C S S Setty, W K MacIver and R A Fryars were earlier during the year appointed as Directors; they vacate office at this meeting and necessary resolutions are submitted at this meeting for their re-appointment.

I would like to record our gratitude to BL Limited and Leyland Vehicles Limited for their continued support and active assistance in the development of the Company. I would like to take this opportunity to convey our sincere thanks to the Central and State Governments for their encouragement and support and also to the financial institutions and our bankers for the support they have continued to give us in our day to day operations. You will, I am sure, wish to join me in expressing our warm appreciation of the enthusiasm and loyalty of all employees and the administration of the management team which have contributed to the gratifying results we have been able to achieve during the year under review. I must not forget to express the gratitude we owe to all our dealers and suppliers of materials for their continued support, which I am confident they will continue to give us.

Finally, on behalf of the Board of Directors and myself, I would like to convey our sincere thanks to you, shareholders, for all the confidence that you have reposed in us, which has been our main-stay in the mangement of the Company.

NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

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COMPANY AFFAIRS

Bihar Alloy Steels

Bihar Alloy Steels Ltd has shown remarkable performance during 1978. With a profit of Rs 473.80 lakhs before depreciation for the year, it has been able to reduce the accumulated losses. Dr B.C. Jain, managing director of the company, told newsmen recently that 1978 marked a watershed in the history of the company when its plant had for the first time, achieved its licensed capacity in terms of finished alloy and special steels and showed a profit after covering depreciation. The output of finished alloy, tool and special steels was 39,580 tonnes against 24,473 tonnes in the previous year, while sales were 37,080 tonnes against 23,876 tonnes.

Dr Jain pointed out that the increase in production of automobile and heavy transport vehicles increased requirements for alloy and special steels. Expanding demand for consumer durables had also led to a spurt in the demand for alloy and special steels in the country. The company started production of these special steel items in May 1975. During the three years from 1975 to 1977, the company incurred a loss on an average of about Rs 3.20 crores. Now the company looks forward to steadily improving its working in the coming years and the remaining accumulated losses are expected to be wiped out in a year or two. The financial result of the company for the year ended December 31, 1978, show a profit of Rs 257.22 lakhs after depreciation against a loss of Rs 206.37 lakhs in the previous year. Taking into account the huge accumulated losses to be wiped off the directors have not recommended any dividend for the year.

J.K. Chemicals

J.K. Chemicals has reported improved working results for 1978. The turnover has risen from Rs 9.47 crores in 1977 to Rs 11.37 crores in 1978 and the gross profit from Rs 14.35 lakhs to Rs 79.77 lakhs. After providing Rs 29.11 lakhs (Rs 27.02 lakhs) for depreciation and Rs 8.68 lakhs (nil) for investment allowance and after some adjustments, there is a surplus of Rs 42.37 lakhs against a deficit of Rs 11.14 lakhs.

A sum of Rs 15 lakhs has been transferred to general reserve, against the withdrawal of Rs 17.71 lakhs from this reserve last year. A higher equity dividend of 15 per cent has been declared. Equity and preference dividend will absorb Rs 10.59 lakhs (Rs 6.38 lakhs).

Warren Tea Limited

In its report for the 14-month period ended on December 31, 1978, the board of directors of Warren Tea Limited disclose a pre-tax profit of Rs 2.45 crores which stands reduced to profit after taxation at Rs 84 lakhs. After transferring Rs 11 lakhs to various reserves, the board recommends payment of a dividend of 20 per cent (Rs 2 per share) absorbing Rs 65 lakhs.

Warren Tea Limited was incorporated on May 31, 1977, with a view to using it as a vehicle for the Indianisation of 11 Sterling companies. In accordance with FERA provisions, the company reduced its foreign shareholding to 73.67 per cent within November 8, 1978, when 845,000 equity shares of Rs 10 each for cash at par were issued to the public and the financial institutions. The shares offered to the public numbered 720,000 and the issue was oversubscribed by 26.7 per cent.

In his chairman's statement, Mr H.J.R.B. Salmon points out that, although the allotment of shares to the public was made only in October 1978, the proposed dividend will be paid in full to all shareholders of the company as on May 29, 1979 irrespective of their holding period.

Good Prospects

He expressed confidence that "our efficiency in production and marketing will enable us to achieve satisfactory results for 1979". He believes that government should help the Indian tea industry to recapture the confidence of overseas buyers who were unsettled by the export duty levies imposed during the boom in tea prices during 1977-78. He has also expressed concern over the high tax burden, particularly of the agricultural income-tax levied by the Assam government. This tax already high in the case of this company at 70 per cent, was increased to 75 per cent in March, 1979. Simultaneously the surcharge on the central tax has been increased to 7½ per cent. According to Mr Salmon "effectively, the tea industry will now pay a taxation rate of 68.65 per cent plus surtax, which is much higher than the tax burden on any other trade or business in India". This obviously makes it difficult for the tea industry to generate resources for long-term development. Meanwhile, the company proposes to use the loan facilities of the Agricultural Refinance and Development Corporation for its long-term projects.

Coromandel's Plans

In his chairman's speech, Dr Bharat Ram indicated the broad lines on which Coromandel Fertilizers Limited proposes to address itself to its growth problems. Of some urgency is the need to reinvigorate the aging plant and the management is implementing a programme of phased replacement of equipment. Currently the task of maintaining production while this modernisation process is under way is being effectively tackled. Meanwhile a good deal of spade-work has been done on the major diversification project undertaken by the company for branching out into the filed of the manufactute of cement. An investment of Rs 54 crores is contemplated on a cement facility of 900,000-tonne capacity, for which a letter of intent has been obtained. Rich limestone deposits of fine quality have been located in Cuddapah district and movement facilities are being discussed with the railways. Consultancy services of a high order have been engaged.

On the economic situation and outlook, Dr Bharat Ram has underlined the importance of a steady increase in the production of all essential commodities as the only safeguard against rising prices or shortages. In his view, political attitudes which inhibit investment anywhere in the economy are hardly helpful. Increased excise duties, again, may hamper production besides inflating consumer prices. He suggests that government should be responsive to ideas and views which could be of assistance to it in framing policies for higher levels of economic activity.

Peico

Peico Electronics and Electricals (formerly Philips India) has announced a final dividend of six per cent in its working results for 1978. Together with the 10 per cent interim dividend already paid, the total dividend for 1978 is higher at 16 per cent and is payable on the expanded capital for the full year. Dividend will absorb Rs 2.61 crores against Rs 1.98 crores. The change in the name was approved by the government and became effective from April 20, 1979. According to the preliminary statement gross sales have risen by 12.9 per cent from Rs 79.81 crores in 1977 to Rs 90.10 crores in 1978 and net sales by 11.8 per cent from Rs 71.58 crores to Rs 80.04 crores. With the gross profit rising by 15 per cent from Rs 11.46 crores to Rs 13.18 crores the ratio of gross profit to net sales has marginally improved from 16 per cent to 16.5 per cent after providing Rs 2.55 crores (Rs 2.38 crores) for depreciation, Rs 52 lakhs (Rs 48 lakhs) for investment allowance and Rs 6.80 crores (Rs 5.35 crores) for taxation, the net profit works out to Rs 3.31 crores (Rs 3.25 crores). General reserve gets Rs 1.22 crores (Rs 1.24 crores). Exports were higher at Rs 5.44 crores against Rs 4.94 crores.

The company has received a letter of intent for the manufacture of high pressure sodium vapour lamps. The commencement of production of these lamps is likely to generate new opportunities for the small-scale sector in the manufacture of luminaries and accessories for these lamps. The equipment for glow-switches has been installed. The company has also received an industrial licence for expansion of production of electrolytic capacitors and a letter of intent for metal film resistors. Its applications for a number of certain other electronic components is under the government's consideration.

Texmaco

Texmaco Limited has maintained the taxable ordinary dividend of 15 per cent for the year ended December, 1978. The profit for the year has amounted to Rs 1.74 crores. Provision has been made for investment allowance reserve to the extent of Rs 11.40 lakhs, depreciation Rs 49.62 lakhs and taxation Rs 66 lakhs. After these provisions, there remains a balance of Rs 46.85 lakhs, out of which the board of directors have recommended total dividend of the value of Rs 25.87 lakhs on preference shares and ordinary shares. Out of balance surplus, Rs 10 lakhs have been transferred to debenture redemption reserve and Rs 10.98

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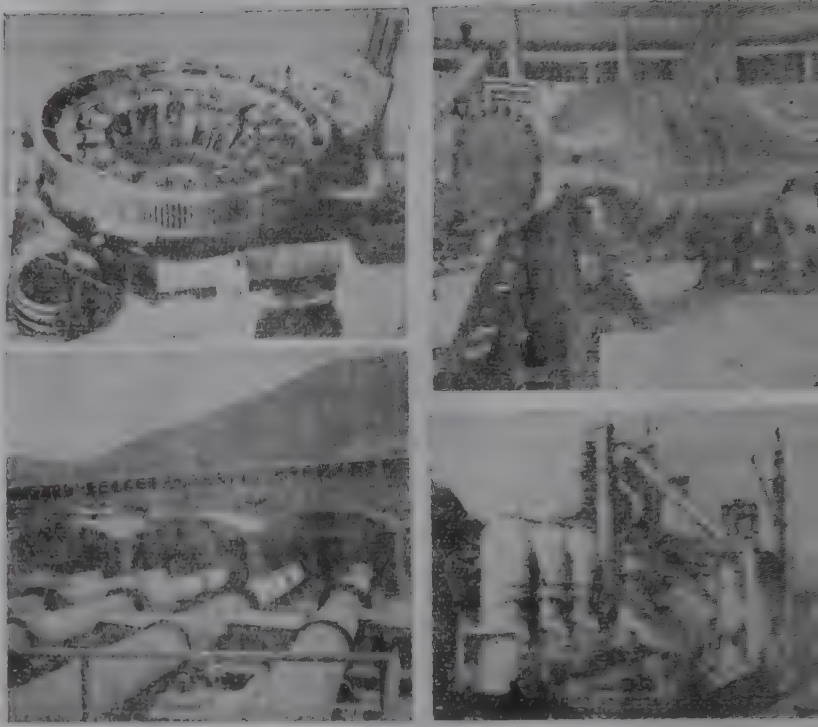
Foreign Trade Company



Exports:

—Plants and complex installations for the production o equipment and installations in the field of mechanica engineering, electrical engineering and electronics, licence and manufacturing technologies, the relevant CKD.

—Thermoelectric power plants, thermal power stations, distri heating plants, hydroelectric power plants, hydromechanica equipment, the relevant individual equipment and outfit spare parts.

—Metallurgical and iron and steel installations.

—Food industry installations.

—Cement lines, various individual equipment and outfit spare parts.

—Studies, designs, know-how, engineering, production lin technologies for the above mentioned erection, technic assistance, training and other services related to the abov lines, factories and plants.

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Foreign Trade Company
Bucharest - Romania
133, Calea Victoriei
POB : 2993; telex : 011214
telephone : 50.25.35
cables : uzexim - bucharest

lakhs to general reserve. The current year's ordinary dividend absorbs Rs 22.50 lakhs.

Wimco

The directors of Wimco have decided to reduce the equity dividend to 12 per cent from 16 per cent paid for 1977, in view of the drop in sales of match boxes and the resulting cashflow problems. Shares of the face value of Rs 2.25 crores which were allotted in 1977, will be eligible for dividend for the full year. According to a brief preliminary statement, the company's sales turnover was higher at Rs 51.4 crores in 1978 against Rs 41.6 crores in 1977, the profit after tax has also been higher at Rs 2.15 crores against Rs 93 lakhs in the preceding year. The marked improvement in the turnover and profit is partly due to improved realisation on chemicals and paper and increase in exports from Rs 41 lakhs in 1977 to over Rs 2 crores in 1978. On account of the unprecedented increase in the excise duty on matches manufactured by the company from Rs 4.83 per gross to Rs 7.20 per gross, the sales of match boxes have been adversely affected in the current year. Efforts to persuade the government to review the excise structure are still continuing.

Chemicals and Fibres

Chemicals and Fibres of India recorded gross sales, during the period October, 1978 to March 1979, at Rs 18.50 crores against Rs 17.94 crores in the corresponding period of the previous year. Net sales amounted to Rs 8.70 crores against Rs 8.40 crores. The gross profit is estimated at Rs 93 lakhs against Rs 1.16 crores. After providing Rs 54 lakhs (Rs 52 lakhs) for depreciation and Rs 27 lakhs (Rs 41 lakhs) for taxation, the net profit is placed lower at Rs 12 lakhs (Rs 23 lakhs). No interim dividend is being paid as in the previous year.

The price of domestic fibre was affected by the concessional scheme on polyester fibre excise duty which has been in operation for the last three years, whereby on clearance beyond a base level the excise duty is reduced by 25 per cent. The company's competitors having lower base levels, have been able to obtain considerable advantage once they reach their base levels. Since the scheme was to come to an end by the end of March 1979, competitors reduced prices, in order to maximise their sales. The concessional excise scheme having come to an end and international prices having hardened, the management expected better trading conditions to prevail in the second half of the year.

Polyolefins Industries

Mr Arvind N. Mafatlal, chairman of Polyolefins Industries, stated at the annual meeting of the company recently that due to the improved technology, the company has an effective capacity of 50,000 tonnes per annum of high density polyethylene (HDPE). Unfortunately, there is no source of additional ethylene supply in the Bombay region. Ethylene supply from the Bombay High can be received only after the government takes a policy decision on the utilisation of Bombay gas. Meanwhile, efforts were being made to get some supplies of ethylene from Indian Petro-Chemicals Ltd (IPCL), Baroda, by road. The company has started negotiations with IPCL for the supply of its surplus ethylene, which may be 7,000 to 10,000 tonnes per annum, for a period of three to five years. If IPCL decides to sell ethylene to the company and if the price is found reasonable the company will be able to draw some ethylene from IPCL by 1980.

Mr Mafatlal also stated that the company was looking into the possibility of participating in the petrochemical complex that will be based on Bombay High gas. Its application for expanding the capacity of HDPE from 30,000 tonnes to 70,000 tonnes per annum and for diversification into the manufacture of 40,000 tonnes per annum of acetaldehyde has been under the government's consideration.

Punjab and Sind Bank

The Punjab and Sind Bank Ltd has shown improved results during the year ended December 31, 1978 with gross earnings moving up by Rs 7.79 crores to Rs 38.62 crores from Rs 30.83 crores in the previous year. The net profit for the year, after payment of interest and meeting other expenses, amounts to Rs 25.51 lakhs against Rs 25.16 lakhs last year. A dividend of 14 per cent is proposed by the board.

The bank's deposits have risen by Rs 102.90 crores to Rs 390.41 crores at the close of year, showing a growth of 35.77 per cent against the average growth of 16.9 per cent in the country's banking system. Advances to the priority sector have recorded an increase of Rs 26.36 crores at Rs 95.30 crores as on December 31, 1978. The ratio of these advances to total credit is higher at 35.4 per cent against 33.8 per cent last year. Advances to the agricultural sector have increased to Rs 25.66 crores from Rs 17.54 crores last year, showing a growth rate of 46.3 per cent. Total advances stood at Rs 269.15 crores. Twentyfive new branches were opened during the year, of which 10 were opened in rural and semi-rural areas. Ten extension counters were also opened during the year. While the total number of branches at the close of the year has gone up to 498 and those of extension counters has risen to 29.

International Instruments

International Instruments proposes to issue shortly 700,000 equity shares of Rs 10 each at a premium of Rs 2 per share. The proceeds of the issue will be utilised for meeting a part of the finance required for its Rs 3.50 crore expansion and diversification programme. The paid up capital is Rs 124.57 lakhs in equity shares of Rs 10 each. The present issue is for 754,300 shares of Rs 10 each at a premium of Rs 2 per share. Out of this, 54,300 shares have been reserved for allotment to employees and business associates of the company with a limit of 200 shares per person. At present, the company has five plants in Bangalore namely, instruments plant, cables plant, technograph plant, switches and telecommunications plant and electronic plant. It manufactures automobile dashboard instruments such as speedometers, ammeters, temperature gauges, oil pressure gauges, battery condition indicators, hour-cum-RPM meters, flexible drive shaft cables, and telephone dials. It also manufactures instruments for tractors, industrial and agricultural applications, tachographs for roadways and railways, efficiency recorders for machine tools, electronic hour meters and special float switches for aircraft. Originally, VDO Tachometer Werke of West Germany provided the required know-how for dashboard instruments. Though the collaboration agreement has expired, the company continues to get the benefit of VDO latest technological developments in this field. VDO presently holds 25.7 per cent of the existing equity capital through Insteg AG.

Mysore Paper

Mysore Paper Mills, a joint sector enterprise with the Karnataka government holding 56.22 per cent of the equity, is going ahead with the implementation of its expansion programme estimated to cost about Rs 108 crores. With commercial production of newsprint scheduled to commence by the end of March next the entire project would have been completed within three years from the grant of the industrial licence.

The new facilities, incorporating the latest technology, will produce 75,000 tonnes of newsprint a year and also increase the production of writing and printing paper from the existing 24,000 tonnes to 37,000 tonnes a year. It is also proposed to instal, in due course, a sugar factory as an integral part of the paper complex. The entire power system comprising of the recovery boiler, high pressure boilers and turbo alternators is being supplied by Bharat Heavy Electricals.

The project is based entirely on the availability of local raw materials, mainly bamboo. The newsprint to be produced by the company will be of a fine quality.

The integration of Rs 7.5 crore sugar mill (to be finalised mainly by the issue of special type of convertible bonds) with the paper mill will give advantages of cost reduction, both for paper and sugar units. The production services and utilities of paper unit will be beneficially made use for the sugar unit and the bagasse produced by the sugar mill will be an essential raw material for paper. Chemical Bank of New York is providing on a consortium basis a loan of $35 million on terms which could be considered favourable. The interest rate is one per cent above the London, inter-bank offered rate (LABOR) with a repayment moratorium of 42 months. The cost of imported plant and machinery is placed at around Rs 20 crores.

Bihar Leathers

Bihar Fiinished Leathers proposes to issue shortly 590,000 equity shares of Rs 10 each at par. The proceeds will be utilised for financing partly the company's Rs 5.02 crore finished leather project. The company is setting up three units at Bettiah, Barauni and Muzaffarpur for producing finished leather from semi-processed hides and skins. Bettiah and Barauni units will exclusively process finished leather from cow hides each with a capacity of 150,000 hides per annum, equivalent to about 3.6 million sq ft. per annum of finished leather. The third unit at Muzaffarpur will exclusively produce finished leather from skins and has capacity for 600,000 skins per annum equivalent to 2.4 million sq. ft. per annum of finished leather. The company has an obligation to export 60 per cent of its production.

Promoted by Bihar State Leather Industries Development Corporation, which has in its tannery units facilities for chrome tanning for supply of wet blues and skins to the new finishing units to be set up by the company. The corpotation has invested Rs 88 lakhs in the company's equity capital. The Central Leather Research Institute, Madras. has been retained as technical consultants for the project. Most of the plant and machinery has already been imported from France and Czechsolovakia. Commercial production is ex pected to commence by mid 1979.

Khandelwal Ferro Alloys

Khandelwal Ferro Alloy has maintained the equity div dend at 14 per cent for 1978 Besides, it has offered a bonu issue in the ratio of one new share for every two share held, which will mean capi talisation of Rs 87 lakhs from the reserve. The last bonu issue was made in 1974 in th ratio of two for five. Th company has reported a mil setback in its working durin 1978, mainly due to lowe

production in the steel tube mill following shortage of steel strips and a temporary six-week breakdown in the mill towards the end of the year. The current year's working has, however, been satisfactory with a marginal rise in sales than in the same period of last year.

The turnover has come down from Rs 18.46 crores in 1977 to Rs 17.65 crores in 1978 and the gross profit from Rs 138.85 lakhs to Rs 125.79 lakhs. After providing Rs 23.84 lakhs (Rs 20.95 lakhs) for depreciation, Rs 1.88 lakhs (Rs 2.86 lakhs) for investment allowance and Rs 61.42 lakhs (Rs 62.45 lakhs) for taxation, the net profit works out to Rs 38.65 lakhs (Rs 52.59 lakhs). Equity dividend will absorb Rs 24.39 lakhs (same) and preference dividend Rs 4.75 lakhs (same). Sales of ferromanganese amounted to Rs 8.38 crores against Rs 6.93 crores in 1977. Domestic sales were Rs 4.81 crores against Rs 6.09 crores, and export sales Rs 3.57 crores against Rs 85 lakhs.

Bareja Knipping

An export-oriented Indo-German venture, Bareja Knipping Fasteners Ltd, to manufacture self-tapping machine screws is being set up at Dundahera in Gurgaon district, Haryana. Considerable progress has been achieved in the implementation of the first phase of the project which envisages the manufacture of 300 tonnes of screws per annum. The factory building is complete and the plant and machinery, both imported and indigenous, have been installed. Trial runs of the plant have started and commercial production is likely to commence soon. Arnold Knipping of West Germany have given technical know-how and are taking up equity shares worth Rs 7 lakhs in the company. They have guaranteed to lift the entire production of the plant in the first three years.

Excel Industries

Excel Industries has reported improved working for the first half of the current year. Its sales during the period October 1978 to March 1979 were higher at Rs 7.75 crores against Rs 5.77 crores in the same period of the previous year. The gross profit for the period was Rs 133 lakhs against Rs 84 lakhs. After providing Rs 33 lakhs (Rs 32 lakhs) for depreciation and Rs 30 lakhs (Rs 13 lakhs) for taxation, the profit after tax is placed at Rs 70 lakhs (Rs 39 lakhs).

Modella Woollens

The directors of Modella Woollen Mills Ltd, have proposed to skip the equity dividend for 1978, as against 12 per cent paid for the previous year.

The gross profit has declined sharply from Rs 65.35 lakhs to Rs 54.80 lakhs. Provisions are Rs 27.27 lakhs (Rs 24.86 lakhs) for depreciation, Rs 6.75 lakhs (Rs 4.81 lakhs) for investment allowance and Rs 20,000 (Rs 18.30 lakhs) for taxation, Rs 9.80 lakhs (Rs 56,758) for general reserve. A sum of Rs 2.18 lakhs (Rs 11.29 lakhs) has been carried forward.

Miles India

The gross sales of Miles India Ltd, Vadodara, increased by 53 per cent from Rs 20.39 lakhs to Rs 31.24 lakhs during 1978, but the company suffered a loss of Rs 16.96 lakhs (a loss of Rs 18.09 lakhs), mainly due to, as the directors say, a substantial increase in material costs, continued low utilisation of installed capacity and high interest charges. A sum of Rs 1.54 lakhs (Rs 1.52 lakhs) has been provided for depreciation. The company is expected to turn the corner this year.

Hindustan Cables

A Rs 12.65-crores expansion and modernisation programme has been sanctioned for the Rupnarainpur unit of Hindustan Cables Ltd. The execution of the programme will make the unit an advanced telecommunication factory of world standards.

The modernisation part includes progressive replacement of lead sheathing by corrugated steels for cost reduction and minimising dependence on imported lead and introduction of jelly filled cables. The capacity of small tube coaxial cable will be expanded. The programme has been conceived independent of normal capital replacement work. Modernisation and expansion will expectedly raise the annual turnover of Rupnarainpur unit from Rs 35 crores to Rs 60 crores.

Shaw Wallace

Shaw Wallace and Co Ltd has earned a higher profit of Rs 2.98 crores for the year, 1978 against a profit of Rs 1.93 crores in the previous year. After providing Rs 1.71 crores (Rs 1.30 crores) for taxation, the net profit after tax comes to Rs 1.28 crores against Rs 63.59 lakhs. Sums of Rs 18.06 lakhs (Rs 16.15 lakhs) from profit on sale of investments, Rs 1.16 lakhs (Rs 1.53 lakhs) from development rebate reserve and Rs 8.13 lakhs (Rs 15.66 lakhs) from provision for earlier years' taxation (net) have been written back. Allocations include Rs 1.31 lakhs (Rs 3.25 lakhs) for investment allowance reserve, Rs 6 lakhs (same) for debenture stock redemption reserve, Rs 63.62 lakhs (Rs 53.62 lakhs) for dividend paid/proposed and Rs 84.20 lakhs (Rs 24 lakhs) for general reserve, having a balance of Rs 4 lakhs (Rs 17,000) to be carried forward.

General Electrodes

The chairman of General Electrodes and Equipment Ltd has told the shareholders that the operations for the first quarter this year are better, and production and sales will be higher.

KEC

The factory of Kerala Enamels and Castings Pvt Ltd, Kanjikode West, Palghat, Kerala, was recently inaugurated by Kerala chief minister, Mr P. K. Vasudevan Nair.

The factory has been set up with a capital investment of about Rs 6 lakhs made possible by the financial help of the State Bank of India.

It has installed completely indigenous plant and machinery and will employ about 40 people. It will manufacture about 75,000 sq. ft. of finished enamelware a year at a cost of about Rs 11 lakhs. The raw material used will be CRCA sheets, furnace oil enamel frits and colours. The unit is estimated to achieve 80 per cent production in the very first year. The market for the company's products is very large.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of March, 1979. The list contains the names and addresses of the licensees, articles of manufacture, type of licences —New Undertaking (NU), New Article (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries

M/s TK Steel Industries Pvt Ltd, 229, Sant Tukaram Road, Bombay-400009—Poona Maharashtra—Mild Steel Cold Rolled Strips—tonnes 1,000—(COB)

M/s Vishnu Forge (Mysore) Pvt Ltd, Subroto Mukherji Road, Jalhalli West, Bangalore-560015—Mysore Karnataka—Open forgings—600 tonnes within overall licensed capacity of 1,500 tonnes of closed die forgings of Alloy and Carbon Steel—(NA)

M/s Swastika Metal Works, Near Old Light Railway, Jagadhri, Haryana—Tehsil Jagadhri Ambala Haryana—(i) Non-Ferrous Alloys (viz, Billets, Slabs, Ingots) 1,800 m tonnes, (ii) Non-Ferrous Rolled flat products, (viz, Sheets, Circles, Strips) 1,800 m tonnes—(NA)

Fuels

M/s Neyveli Lignite Corp Ltd, Neyveli-607801 (South Arcot Distt), Tamil Nadu—Tehsil Virdhachalam, Distt South Arcot Tamil Nadu—Mining of Lignite—4.7 million tonnes (additional) 11 million tonnes (after expn)—(SE)

Electrical Equipment

M/s Hegde and Golay Ltd, 'Shreeshla', Kanakapura Road, Bangalore-562143—Shreeshyla, Kanakapura Road, Bangalore Karnataka—Printed Circuit Boards of various types and sizes for professional electronics including plated though, multilayer circuits 6,500 sq metres—(COB)

M/s Siemens India Ltd, 134-A, Dr Annie Besant Road, Bombay-400011—Thane, Maharashtra—Electronic Measured Convertors for temperature, speed current, voltage, resistance, frequency, power factor, active and reactive power, pressure diffential pressure, flow, level etc 300 numbers –(NA)

M/s Synergetics Ltd, Apurva, 8-2-350/3/2, Road No 3, Banjara Hills, Hyderabad-500034—Patancheru, Hyderabad, Andhra Pradesh—(i) Engines (for Aero Modelling equipment) 5,000 units, (ii) Ready to fly model 5,000 units, (iii) Plastic and Metal Accessories 5,000 sets, (iv) Model aeroplane kits out of balsa wood in 8 types 5,000 sets in each type—(NU)

M/s Hindustan Brown Boveri Limited, 264/265, Dr Annie Besant Road, Bombay-400025 DD—Maneja, Baroda, Gujarat—Protective and auxiliary relays 32,5000 nos—(NA)

M/s Eswaran and Sons Engineers Pvt Ltd, Vth Floor, Bombay Mutual Building, NSC Bose Road, Madras-60001—Tehsil Saidapet, Chingleput Tamil Nadu—HT Circuit Breakers upto and including 220 KV 750 nos—(NA)

M/s Sekher Electronic Industries Pvt Ltd, N 8, 1 Division, Yeshwantpur, Bangalore-560022—Bangalore Karnataka—High Temperature Heating Elements (Graphite Silicon Carbide based) 42,000 nos—(NU)

M/s General Electric Co of India Ltd, Magnet House, 6, Chittaranjan Avenue, Calcutta-700072—Garden Reach, 24 Parganas, West Bengal—(i) Circuit Breakers 15 KV, 750 MVA 200 nos, 33 KV, 1000 MVA 200 nos, 66 KV, 25,000 MVA 200 nos, (ii) 11 KV Ring Main, Switch and switch fuse units upto a rating of 800 A 1000 nos, (iii) Contactors AC and DC upto 60 amp 11 KV (Conventional air break and vacuum type) 500,00 nos, (iv) LT Moulded case Circuit Breakers upto 3,000 A 2,50 nos, (v) Tap Changers for furnace and power transformers upt a rating of 20 MVA, 132 KV 100 nos, (vi) High Voltage control panels for control of power capacitors, motors etc, upto 1 KV system voltage 500 nos—(NA)

M/S Usha Rectifier Corp India Ltd, 12/1, Delhi-Mathur Road, Faridabad-121003, Haryana—Faridabad, Haryana—General Purpose Relays above 10 A to 25 A (power relays Coil designed for 240V, 415 AC, 6V DC, 24V DC, 100V DC an 220V DC with upto 6 nos, NC change over contacts. With/without socket (terminals for plug, in solder) 30,000 nos. Protectiv Relays: (i) Battery Earthfault Relays 5,000 nos, (ii) Earth Leakage Relays 5,000 nos, (iii) Earth Leakage Relays with basin 5,000 nos, (iv) Current Relay instantaneous time delay 5,000, nos (v) Voltage Relays 5,000. Special Relays: (i) Voltage Sendin Relays Transistorised 10,0000 nos, (ii) Time Delass Relays 10,00 nos, (iii) Temperature Relays 10,000 nos, (iv) Solid State Relay 10,000 nos. Moulded case circuit breakers upto 660 ADC an AC, three pole auxiliary contact 3 No 3 NC, shunt, trip coil of various AC/DC rating overload release and short circui release 6,000 nos, Switches, Rotary type 1, 2, 3 and 4 pole, 2, 4 6 and way rated upto 200 A, 500 VAC (DC) normal type an make-before, break-type 4,000 nos, Relays upto 3 amp and 3-1 amps 100,000 nos, DC Contractors 5,000 nos, DC Circuit Breakers Within the capacity already granted under item 4 above fo the manufacture of Moulded case Circuit Breakers—(NA)

M/s Philips India Ltd, Shivsagar Estate, 'A' Block, D Annie Besant Road, Bombay-400018—Tehsil Pimpri, Dist Poon Maharashtra—Electronic Measuring and Supervisory System for Industrial Application: (a) Displacement converter 50 measuring chains each for only one measuring perameter, (b strain converter 500 measuring chains cach for only one measuring perameter, (c) Vibration/Acceleration converter 500 measuring chains each for only one measuring perameter, (d) RPM converter 500 measuring chains each for only one measurin perameter, (e) Limit Detector/Peak Hold Unit 500 measurin chains each for only one measuring perameter, (f) Accessorie 500 measuring chains each for only one measuring perameter, (g Transducer for displacement 500 measuring chains each for onl one measuring perameter, (h) Strain 500 measuring chains eac for only one measuring perameter, (i) RMP 500 measurin chains each for only one measuring perameter—(SE)

M/s Hazemeyer Elcon Kandla Pvt Ltd, Electric Contro Gear Pvt Ltd, Premises, Behind Arbuda Mill Ltd, Near Chakudia Mahadev, Rakhial Road, Ahmedabad-310023—Kandla Fre Trade Zone Gandhidham (Kutch) Gujarat—HRC Fused 1 million nos—(NU)

M/s Machinery Manufacturers Corporation Limited, Gateway Building, Apollo Bunder, Bombay-400001—Calcutta Wes Bengal—Micro processor based data processing equipment 25 nos—(NA)

Transportation

M/s Press Metal Corp Ltd, M. Vasanji Road (Andheri Kurl Road). Bombay-400059—Ambattur Industrial Estate, Madra Tamil Nadu—Fuel tanks 300 tonnes, Trim shop items 100 tonnes, Air Vent Systems 20 tonnes, Chasis frame members 8,00 tonnes, Sheet metal parts (excluding items reserved in smal scale sector 11,380 tonnes, Total: 19,800 tonnes—(NU)

Industrial Machinery

M/s Jessop and Co Ltd, 63, Netaji Subhas Road, Calcutta-700001—Dum Dum, 24 Parganas, West Bengal—Mobil Cranes (Capacity range 20 to 100 tonnes) 50 numbers—(NA)

M/s Triveni Engineering Works Ltd, Kailash, 2nd Floor, 26 Kasturba Gandhi Marg, New Delhi-110001—Naini, Allahaba

Uttar Pradesh—(i) Industrial Batch Centrifuges 100 nos, (ii) Industrial Decanters 100 nos, (iii) Textile Centrifuges 100 nos—(NA)

Miscellaneous Industries

M/s EID Parry (I) Ltd, Dare House, PB No 12, Madras-600001 Tamil Nadu—Bangalore, Karnataka—Special types of sophisticated tools for plastic, rubber electronic and allied industries 50 tonnes—(NA)

Industrial Instruments

M/s Jenson and Nicholson (India) Ltd, 225, Acharya Jagadish Bose Road, Calcutta-700020—Tupudana Industrial Estate, Ranchi, Bihar—(i) Weighfeeders 50 nos, (ii) Weighing Devices for Railway Wagons 10 nos—(NA)

Chemicals Other than Fertilisers

M/s Shambhu Nath and Sons Limited, Shahabad Markanda, District Kurukshetra, Haryana—Tehsil Thaneshar, Distt Kurukshetra, Haryana—Sulphuric Acid 33,000 tonnes (SE)

M/s J.K. Synthetic Limited, Kamla Tower, (Kanpur Uttar Pradesh—Kota, Rajasthan—Polyester Staple Fibre 3,000 tonnes per annum (existing) 6,000 tonnes per annum (after expn)—(SE)

M/s Indian Oxygen Ltd, Oxygen House, P-34, Taratala Road, Calcutta—700053—Gopalpur Asansol, West Bengal—Hydrogen 0.216 cubic metre—(NA)

Drugs and Pharmaceuticals

M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-390003—Baroda, Gujarat—Quietal Tables 200 lakh numbers—(NA)

M/s Standard Pharmaceuticals Ltd, 24 Park Street, Calcutta-700016—Hooghly, West Bengal—Beta-Histine Hydrochloride Tablets 88 kilograms in terms of the bulk drug—(NA)

M/s Kerala State Drugs and Pharmaceuticals Ltd, PB No 30, Kalvoor 688552 Alleppey, Kerala—Tehsil Ambalapuzha, Distt Alleppey, Kerala—Vitamin 'A' 30 MMU—(NU)

M/s Dey-Se. Chem Ltd, 20A, Lindsay Street, Calcutta-700016—Calcutta West Bengal—(A) Liquids (in Kiloliters): Trimethoprim & Sulphamethoxazole-Ped Syrup 112.5 Diazepam Syrup 36.0 Chloramphenicol Palmitate Syrup 264.0 Tetracycline Ped Drop 4.5 Tetracycline Syrup 36.0 Chloramphenicol & Tetracycline Syrup 19.2 Chloramphenicol & Strptomycin Syrup 38.4 Erythromycine Granules 250 (B) Capsules (in million nos): Tetracycline Caps (125 mg) 1.0 (250 mg) 6.0 Chloramphenical & Tetracycline Caps (250 mg) 2.0 (125 mg) 0.5 Ampicillin Caps (250 mg) 4.6 Doxycycline Caps (100 mg) 2.4 (C) Tablets (in million nos): Trimethoprim & Sulphamethoxazole Ped Tabs 1.8 Trimethoprim & Sulphamethoxazole Tabs 6.0 Ethambutel Tabs (200 mg) 1.1 Diazepam Tabs (5 mg) 3.0 Nitrozepam Tabs 1.1 Metronidazole Tabs (200 mg & 400 mg) 0.6 Erythromycin Tabs 250 mg) 25.0 Tetracycline Tabs (Coated) (500 mg) 6.0 Tetracycline Disp Tab 2.0 Analgin Tab (500 mg) 4.0—(NA)

Textiles

M/s Nirfabrics Ltd, Nirlon House, 254-B, Dr Annie Besant Road, Worli, Bombay-400025—Goregaon (East) Maharashtra—Synthetic yarn knitted fabrics—by installation of 2 warp knitting machine—(SE)

Ceramics

M/s Indian Rayon Corpn Ltd, Prop of Jaya Shree Insulators, Post Office Rishra-782248. District Hooghly, West Bengal—Tehsil Rishra, Distt Hooghly West Bengal—High Tension Insulators and Bushings Annual Capacity 2,600 tonnes per annum, Pressed Porcelain 600 tonnes per annum, High Tension Insulators and Bushings Annual Capacity 4,800 tonnes per annum Low Tension Insulators 200

GOVERNMENT OF INDIA

6¼ PER CENT LOAN 1989 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 25TH OF MAY 1989.

6½ PER CENT LOAN 1995 TO BE ISSUED AT RS.100.00 PER CENT AND REPAYABLE AT PAR ON 25TH OF MAY 1995.

7 PER CENT LOAN 2009 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 25TH OF MAY 2009.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs 500 crores (approximately). Subscriptions may be in the form of cash/cheque. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made and the balance refunded in cash as soon as possible.

3. Interest on all the loans now issued will be paid half yearly on 25th November and 25th May.

4. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investment will be exempt from income-tax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments specified in Section 5 of the Wealth Tax Act will also be exempt from the wealth tax upto Rs 1,50,000.

5. Subscription lists for the new loans will open on the 25th May 1979 and close on 26th May 1979 or earlier without notice.

Applications for the loans will be received at:

(a) offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna, and

(b) branches of the State Bank of India at all places in India except at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under:-

(i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.

(ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.

(iii) The half yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the Commission charges, in respect of Stock Certificates where the net amount of interest to be remitted is less than Rs 20/- no money order commission will be charged.

(iv) If the holder wishes to sell his securities he can do so by signing the transfer form printed on the back of the Certificates in the manner prescribed therein.

(v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5.

tonnes per annum, Pressed Porcelain 1,000 tonnes per annum—(SE)

Cement and Gypsum Products

M/s Asbestos & Jointings Manufacturing Co (P) Ltd, Parsi Panchayat Road, Andheri (East), Bombay-400069—Andheri (East) Bombay Maharashtra—Asbestos Joining Sheets 360 tonnes (additional) 1,080 tonnes (after expn)—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Bhagyanagar Solid Steel Ltd, H. No. 3-5-590/A Vittalwadi, Himayatnagar, Hyderabad-500029—outside the standard urban area of Hyderabad Andhra Pradesh—Mild Steel Ingots and Alloy Steel Ingots 10,000 tonnes—(NU)

Metallurgical Industries (Non-ferrous)

M/s Rushas Engineering Company Private Limited, Room No 6, 2nd Floor, Rustom Building, 29, Veer Nariman Road, Bombay-400023—Tehsil and Distt Ahmednagar Maharashtra—Non-ferrous Alloys at Copper Base 350 m. tonnes b) Aluminium Base 350 m tonnes c) Other non-ferrous alloys 100 m tonnes Non-ferrous castings i) Copper base castings for electrification of Railways, Pump Bodies, Sugar Industry 300 m tonnes ii) Aluminium Gravity and Pressure Castings for Switch Gear Industries and Electric 300 m tonnes—(NU)

Mr A. D. Rothari, 'Alka', 3rd Floor, 25, Vincent Road, Sion,, Bombay-400022—Tehsil Vapi, Distt. Bulsar Gujarat—Upset Forgings from Carbon, Alloy and Special Steels 3,000 tonnes—(NU)

M/s Indian Industrial Distributors, D-8, Road No 32, Wagle Industrial Estate, Thane-400064—Nasik Maharashtra—Unmachined closed die steel forgings 3,000 tonnes—(NU)

Electrical Equipment

Mr C. L. Batra, M/s Grandlay Electricals India), 3/4, Asaf Ali Road, New Delhi-110002—Sonepat (Near Murthal) Haryana—Cross Linked Polyethylene Cables (1.1 KV to 11 KV in different sizes) 2,000 kms—(NU)

Mr M. N. Kannan, 31, Jarpagam Gardens, Adyar, Madras-600020—Tehsil Hosur, Distt Dharmapuri Tamil Nadu—Professional Polystyrene Capacitors 30,00,000 numbers (NU)

M/s Lakhanpal National Ltd, Makarpura Industrial Area (GIDC), Baroda-390011—Baroda Gujarat—Dry Battery Cells 60 million nos. (existing) 120 million nos (after expn)—(SE)

M/s Traco Cables Co Ltd, XXXVI/890-5, Hospital Road, Ernakulam, Cochin-682011—Tehsil Kuttapuzha (near Thiruvalla Alleppey, Kerala—Jelly Filled Cables 5,000 linear kilometres—(NA)

M/s Haritha Vidyut Pvt Ltd, 106, Fourth Street, Abhiramapuram, Madras-600018—Tehsil Hosur, Distt Dharmapuri, Tamil Nadu—Hybrid Micro Electronic Integrated Circuits 3,00,000 numbers—(NU)

Transportation

M/s Sen-Raleigh Ltd, 4, Middleton Street, Calcutta-700071—Kanyapur Asansol, Distt Burdwan, West Bengal—Bicycle 1,00,000 nos (existing) 5,00,000 nos (after expn)—(SE)

Industrial Machinery

M/s Industrial and Agricultural Engineering Co (Bombay) Ltd, 197, Lal Bahadur Shastri Marg, Bhandup, Bombay-400078—Ahmednagar Maharashtra—Industrial effluent treatment plants based on closed loop system (in terms of value) Rs 1 crore—(NA)

M/s Sucro Filters Pvt Ltd, 408, Ghorpads Peth, Opp S. E. Workshop, Shanker Shet Road, Pune-411002—Maharashtra—Seamless Perforated Screens for Rotary Screen Printing Machines 54,000 metres—(NU)

Miscellaneous Industries

M/s Chemicals & Plastics India Ltd, 175/1, Mount Road Madras-600002—Tehsil Mettur Dam, Distt Salem, Tamil Nadu—Rigid PVC Pipes and fittings, other extrusions and moulding (rigid and flexible), 2,500 tonnes (existing) 6,000 tonnes (afte expn)—(SE)

Mr Vinod Kumar Rajgarhia, B-42 Maharani Bagh, Easter Avenue, New Delhi-110065—Tehsil Malerkotla Distt Sangrur Punjab—(i) Polypropylene Corrugated Sheets 900 tonne (ii) HDPE Corrugated Sheets 900 tonnes—(NU)

Industrial Instruments

M/s United Diamonds Ltd, B-26, Kailash Colony, Ne Delhi—Tehsil Kasauli, Distt Solan, Himachal Pradesh—Watc Jewels (such as oil recess jewels, ring jewels, end stone/bombe jewels, balance staff jewels, and palette jewels) 15 million numbers—(NA)

M/s India Meters Ltd, Plot 14, Industrial Estate, Ambattu Madras-600058—Ambattur, Madras Tamil Nadu—Ratary Sub Standard Kilowatt hour Meters, 500 Nos—(NA)

Scientific Instruments

M/s Blue Star Ltd, Kasturi Buildings, Jamshedji Tata Roa Bombay-400020—Tehsil Kalol, Distt Panchmahal Gujarat—(i) UV-VIS Spectrophotometers 100 sets (ii) IR Spectrophot meters 100 sets (iii) A A Spectrophotometers 30 sets (iv) Au Analysers 50 sets (v) Gas Chromatographs 150 sets (vi) Liqu Chromatographs 30 sets (vii) Optical Emission Spectometers sets—(NA)

Chemicals Other than Fertilisers

M/s Atic Industries Ltd, PO Atul, 396020, Distt Valsa Gujarat—Tahsil Atul, Distt Valsad (Bulsar), Gujarat—Sulphu Acid 16,300 tonnes—(NA)

M/s Rallis India Ltd, Ralli House, 21, Raveline Stre Bombay-400001—Maharashtra—Fenitrothion Technical 100 to nes per annum (existing) 300 tonnes per annum (after expn) (SE)

M/s Baroda Rayon Corp Ltd, Hoechst House, 193, Backb Reclamation, Nariman Points, Bombay-400021—Tehsil Udh Distt Surat Gujarat—Sulphuric Acid 14,400 tonnes per annu (existing) 21,660 tonnes per annum (after expn)—(SE)

M/s Varinder Agro Chemicals, 85, Industrial Area Ludhiana-141003—Village Alal, Distt Sangrur Punjab—Sulph ric Acid 33,000 tonnes, Single Super Phosphate 66,000 tonnes (NU)

Mr J. P. Mehta, D-13/B, Rajouri Garden, New Del 110027—Unnao Uttar Pradesh—(in tonnes) (i) Lacquer Em sions 350 (ii) Butyrate Solvent Dilutable Lacquer emulsi 100 (iii) Penetrator 90 (iv) Fillers 100 (v) Binders 135 (vi) Co pact Finish 350 (vii) Leveller 25 (viii) Comotex Transparent P ment 100 (ix) Acrylic Emulsions 150 (x) Polyurethane Lacqu and Emulsions 50—(NU)

M/s Rajasthan State Industrial & Minerals Developm Corporation Ltd, 100, Jawahar Lal Nehru Marg, Jaipur-30200 Village Harmara, (outside the municipal limits of Jaipur C Rajasthan—(i) Paints and Enamels 1500 tonnes, (ii) Varnis 650,000 litres, (iil) Synthetic Resins like Polyesters, Phenol Maleics Amino, Acrylics etc. 900 tonnes—(NU)

The Delhi Cloth & General Mills Co Ltd, Unit: Shriram Rayons, Shriramnagar, Kota-324004—Shriramnagar, Distt Kota Rajasthan—(in tonnes) Synthetic Cresols 5000, By-Products : (i) Sodium Sulphite 7350 (ii) Sodium Sulphate 1160 (iii) Soda Ash 1310 (iv) Gypsum 5900—(NU)

M/s Atul Products Ltd, PO Atul (W. Rly.) Distt Bulsar-396020—Tehsil Atul, Distt Bulsar Gujarat—Sulphuric Acid 13,200 tonnes per annum (existing) 24,000 tonnes per annum (after expn)—(SE)

M/s National Fertilizers Ltd, 20, Community Centre, East of Kailash, New Delhi-110024—Tehsil Panipat, Distt Karnal, Haryana—Argon Gas 3,96,000 cubic metres—(NA)

Mr S. M. Bhatia, C/o Northern Alloys Foundry, 69-GID, Chitra, Bhavnagar-364004—Tehsil Bavla, Distt Ahmedabad, Gujarat—Sulphuric Acid 16,500 tonnes—(NU)

Mr Ramesh Chand, 7-A, Rajpura Road, Delhi-110054—Faridabad-Haryana—Sulphuric Acid 33,000 tonnes—(NU)

M/s Rasoi Vanaspati & Industries Ltd, 20, Sir R. N. Mukerjee Road, Calcutta-700001—Tehsil Rairangpur, Distt. Mayurbhanj, Orissa—Sulphuric Acid 16,500 tonnes—(NU)

Mr Pratap Bhanu Sharma, Shri Ram Nagar, Vidisha-464001, Madhya Pradesh—Vidisha-Madhya Pradesh—Sulphuric Acid 16,500 tonnes—(NU)

Mr Ramesh D. Aggarwal, 11, 'Vijay Mahal', 3rd Floor, 'D' Road, Churchgate, Bombay-400020—Tehsil Roha, Distt Kulaba-Maharashtra—Sulphuric Acid 16,500 tonnes—(NU)

M/s Shreelaxmi Chemicals, Vashiar, Valsad-396001, Gujarat—Valsad Gujarat—Sulphuric Acid 33,000 tonnes—(NU)

Mr Ravi Kumar, 20, Jamuna Road, New Delhi-6—Bulandshahr-Uttar Pradesh—Sulphuric Acid 30,000 tonnes—(NU)

M/s Tanna Exporters (P) Ltd, Tanna House, IInd Floor, 11-A, Nathalal Parekh Marg, Bombay-400039—Backward distt of Madhya Pradesh—Sulphuric Acid 33,000 tonnes—(NU)

M/s Development Corp of Vidarbha Ltd, (A Govt of Maharashtra Undertaking) Mahajan Building, 1st Floor, Main Road, Sitabuldi, Nagpur-450012—Tehsil Ramtok, Distt Nagpur-Maharashtra—Sulphuric Acid 33,000 tonnes—(NU)

M/s Indian Link Chain Manufacturers Ltd, Lal Bahadur Shastri Marg, Bhandup, Bombay-400078—Tarapore, Maharashtra—Sulphuric Acid 16,500 tonnes—(NU)

M/s Bharat Rasayan Udyog, 278, Katra Peran, Tilak Bazar, Delhi-110006—Tehsil Tehana, Distt Hissar Haryana—Sulphuric Acid 16,5000 tonnes—(NU)

Mr Sailash Kumar Khaitan, 96, Garden Reach Road, Calcutta-700023—Midnapore West Bengal—Sulphuric Acid 33,000 tonnes—(NU)

M/s Metazine Pvt Ltd, New India Centre, 5th Floor. 17, Cooperage Road, Bombay-400039—Dewas Madhya Pradesh—Sulphuric Acid 33,000 tonnes—(NU)

Drugs and Pharmaceuticals

Mr C. R. Amin, M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-390004—Baroda Gujarat—(i) Naresol 23,000 litres (ii) Laxatin Tablets 300 lakh nos—(NA)

M/s Unique Chemicals, 838-C, Dr Beasant Road, Worli Naka, Bombay-400018—Tehsil Ankleshwar, Distt Baruch Gujarat—(i) Pheniramine Maleate 10 tonnes (ii) Chlorpheniramine Maleate 10 tonnes (iii) Disodium Chromoglycate 1 ton (iv) Chloramphenicol Powder 25 tonnes (v) Chloramphenicol Palmitate 15 tonnes—(NA)

M/s Cadila Laboratories (Division of Cadila Laboratories Pvt Ltd,), 244, Ghodasar, Maninagar, Ahmedabad-380008—Tehsil Ankleshwar, Distt Bharuch Gujatat—Mebendazole (Bulk Drug) 20 tonnes—(NA)

M/s Unique Chemicals, (Prop. J. B. Chemicals and Pharmaceuticals Pvt Ltd,), Sheth Govind Ram Smriti, 838-C, Dr A. B. Road, Worli Naka, Bombay-400018—Tehsil Ankleshwar, Distt Bharuch Gujarat—Tinidazole (Bulk Drug) 20 tonnes—(NA)

M/s Cadila Laboratories, (Division of Cadila Laboratories Ltd), 244, Ghodasar, Maninagar, Ahmedabad-380008—Tehsil Ankleshwar, Distt Bharuch Gujarat—Tinidazole (Bulk Drug) 20 tonnes—(NU)

M/s Raptaos, Brett & Co Ltd, 47, Dr Annie Besant Road, Worli, Bombay-400025—Tehsil Roha, Distt Kulaba Maharashtra—Calcium Lactobionate (Bulk Drug) 50 tonnes—(NA)

M/s Lupin Laboratories Pvt Ltd, 159 CST Road, Kalina, Santacruz (E), Bombay-400025—Tehsil Ankleshwar, Distt Bhruch Gujarat—(i) Ethambutol Hydrochloride 15 tonnes (ii) Trimethoprim 5 tonnes—(NA)

M/s Unichem Laboratories Ltd, S. V. Road 'Jogeshwari' (West), Post Bag No. 7459, Bombay-400060—Roha Maharashtra—Tolnaftate (Bulk Drug) 100 Kgs—(NA)

M/s Unichem Laboratories Ltd, S. V. Road, Jogeshwari (West) Bombay-400060—Roha, Distt Kolaba Maharashtra—(i) Tindiazole 20 tonnes (ii) Its formulations 640 lakh Tablets (125 mg & 500 mg)—(NA)

Mr S. M. Balaniappa Chettiar, No. 14, Peters Road, Madras-600014—Tehsil Begalur near Hosur, Distt Dharmapuri Tamil Nadu—Crystalline Insulin (also vials of Plain Injectable, Lente, Protamine Zinc, NPH Isophene, etc.) 1,200 MU—(NU)

M/s Cadilo Laboratories (Division of Cadila Laboratories Pvt Ltd), 244. Ghodasar, Maninagar, Ahmedabad-380009, Gujarat—Ankleshwar, Distt Bharuch Gujarat—Ethambutol HCL 15 tonnes—(NA)

Paper and Paper Products

M/s Jain Brothers, 3372/73, Hauz Qazi, Delhi—Sitapur Uttar Pradesh—MF Writing and Printing Paper 9,000 tonnes—(NU)

M/s Simplex Mills Co Ltd, 30, Keshavrao Khadye Marg, Sant Gadege Maharaj Chowk, Bombay-400011—Tehsil Chanda, Distt Chandrapur Maharashtra—(i) Pulp 9,000 tonnes (ii) Paper and Paper Board 9,000 tonnes—(NA)

M/s Mohta Industries Ltd, Atma Ram House, 1-Tolstoy Marg, New Delhi-110001—Madhya Pradesh—Different varieties of writing and printing paper 10,000 tonnes—(NU)

M/s Raman Boards Pvt Ltd, The Summer Palace, Mysore-570010—Mysore Karnataka—Insulation Press Boards (Normal and Pre-compressed) 3,000 tonnes—(NU)

Food Processing Industries

M/s Mohan Meakin Breweries Ltd, Sohan Brewery, P.O. Simla Hills, Himachal Pradesh—Solan Himachal Pradesh—Natural Mineral Water (Plain as wall as corbonated) 32,50,000 litres—(NA)

M/s The Punjab Dairy Development Corp Ltd, 14-A, Madhya Marg, Sector 7-C, Chandigarh Union Territory—Ludhiana Punjab—(i) Infnats Mild Food (Baby food) 1,200 tonnes within the licensed capacity of 1,642 tonnes of skimmed milk powder (ii) Butter 1,095 tonnes (iii) Ghee 548 tonnes—(NA)

Soap, Cosmetics and Toilet Preparations

Mr G. C. Burman, A-22, West End Colony, New Delhi—Tehsil Sahibabad Ghaziabad, Uttar Pradesh—Skin care products and hair care products (excluding the hair oils which are reserved for the small-scale sector) 548 tonnes 400 kilolitres litres/tonnes—(NU)

Leather, Leather Goods and Pickers

Mr Surendra Nath Meattle, 10, Neel Shobha, Andheri-

Kurla-Road, Bombay-400069—Outside the Municipal limits of Agra, Uttar Pradesh—(i) Footwears (Shoes) 7,50,000 pairs (ii) Leather Footwears uppers 6,00,000 pairs—(NU)

Cement and Gypsum Products

The Century Spg & Mfg Co Ltd, (Cement Division), Industry House, 159, Churchgate Reclamation, Bombay-400020—Tehsil Rajura, Distt Chandrapur, Maharashtra—Portland Cement 10 lakhs tonnes per annum—(SE)

M/s Hindustan Steel Ltd, Rourkela Steel Plant, Rourkela-769011—Chilhati, Distt Bilaspur, Madhya Pradesh—Cement-Portland/Blast Furnace Slag Cement/Portland/Pozzolana (a) 7.35 lakh Kiln without precalcinator) tonnes (b) 11.55 lakh (Kiln with precalcinator) tonnes—(NA)

M/s Coromandel Fertilisers Ltd, 126, Sarojini Devi Road, PB 1550, Secunderabad-500003, Andhra Pradesh—Kalamalla Village, Distt Cuddapah, Andhra Pradesh—Cement—9 lakh tonnes per annum—(NA)

M/s Associated Cement Companies Ltd, 'Express Towers' (6th Floor), Nariman Point, Bombay-400021—Gogal, Distt Bilaspur, Himachal Pradesh—Portland Cement—4.00 lakh tonnes per annum (existing) 5.60 lakh tonnes per annum (after expn)—(SE)

M/s Associated Cement Companies Ltd, Cement House, 121-Maharshi Karve Road, Bombay-400020—Tehsil Kymore, Distt Jabalpur, Madhya Pradesh—White Cement—25,000 tonnes per year (existing) 50,000 tonnes (after expn)—(SE)

M/s J.K. Synthetics Ltd, Kamla Tower, Kanpur—Tehsil Nimbahera, Chittorgarh, Rajasthan—White Cement—50,000 tonnes per annum—(NA)

M/s Kesoram Industries & Cotton Mills Ltd, 9/1, R N. Mukherjee Road, Calcutta-700001—Tehsil Ankireddipalli, Distt Kurnool, Andhra Pradesh—Portland Cement—5 lakh tonnes —(SE)

Licences Revoked Cancelled or Surrendered

(Information pertains to particular licences only)

M/s Sundaram Spinning Mills Tamil Nadu—Tamil Nadu—Cotton Textiles—(Revoked)

M/s Sri Sakthi Textiles Ltd, Coimbatore District, Tamil Nadu—Tamil Nadu—Cotton Textiles—(Revoked)

M/s Yeshwant Sahakari Soot Girani Niyamit, Sholapur—Maharashtra—Cotton Yarn—(Revoked)

M/s Hada Textile Iudustries Ltd, Calcutta—Tamil Nadu—Cotton Textiles—(Revoked)

The Sarangpur Cotton Manufacturing Co Ltd, Ahmedabad—Gujarat—Cotton Textiles—(Revoked)

The Thanjavur District Co-operative Spinning Mills Ltd, Tamil Nadu—Tamil Nadu—Cotton Textiles—(Revoked)

M/s Bhojaraj Textile Mills Ltd, Tamil Nadu—Tamil Nadu—Cotton Textiles—(Revoked)

The Thanjavur District Co-operative Spinning Mills Ltd, Tamil Nadu—Tamil Nadu—Cotton Textiles—(Revoked)

M/s Bhojaraj Textile Mills Ltd, Tamil Nadu—Tamil Nadu—Cotton Textiles—(Revoked)

M/s Dey-Se-Chem Ltd, Calcutta—West Bengal—Vanillin—(Revoked)

M/s Prakash Metal Industries, Jagadhri, Haryana—Brass & Copper Sheets & Circles & Brass Utensils—(Revoked)

M/s Dunbar Mills, Calcutta—West Bengal—Cotton Yar (for waste yarn)—(Surrendered)

M/s Bhupendrakumar Navnitlal & Co, Ahmedabad-Gujarat—Cotton Tapes—(Surrendered)

M/s Bhupendrakumar Navnitlal & Co, Ahmedabad-Gujarat—Catton Tapes—(Surrendered)

M/s Bhupendrakumar Navnitlal & Co, Ahmedabad-Gujarat—Cotton Tapes—(Surrendered)

The Wheel & Rim Co of India Ltd, Madras—Tamil Nadu Bicycle Rims—(Cancelled)

M/s Murarka Paints and Varnish Works Ltd, Calcutta-West Bengal—Synthetic Resins Alkyds, UF and MF Resins (Revoked)

Letters of Intent Lapsed or Cancelled

(Information pertains to particulur Letters of Intent only)

Mr M.R. Bhikhanwala, C/o Bhikhanwala & Sons, Fo Bombay—Maharashtra—Super Hard—(Lapsed)

M/s Maschmeijor Aromatics (India) Pvt Ltd, Madra Tamil Nadu—Musk Xylol—(Lapsed)

M/s Swan Mills Limited, Bombay—Maharashtra—Cott Textiles—(Cancelled)

M/s The Meghalaya Industrial Development Carporati Ltd, Shillong-1—Meghalaya—Acetylene Black—(Lapsed)

M/s Bharat Springs Pvt Ltd, Bombay—Maharashtra—Spr Leaves and Assemblies—(Lapsed)

M/s Bihar State Industrial Development Corporation L Patna—Bihar—Furfural, Acetic Acid, Methanol and For Acid—(Lapsed)

M/s Kolhapur Oxygen & Acetylene Pvt Ltd, Bomba Maharashtra—Industrial Gases—(Lapsed)

M/s Sri Krishnarajendra Mill Ltd, Mysore—Karnatak Cotton Cloth— Terry Towelling—(Lapsed)

The Managing Director, UP State Industrial Developm Corpn Ltd, Kanpur—Uttar Pradesh—Synthetic Detergen (Lapsed)

(1) M/s Modella Textile Industries (P) Ltd—Maharashtr Wool Combing Plant, (2) M/s Bombay Woollen M Bombay—Maharashtra—Wool Combing Plant—(Lapsed)

Change in the Names of Owners/Undertakings

(Information pertains to particular licences only)

Andhra Pradesh—M/s Quinn Chemicals India Pvt Ltd,— M/s Quinn India Limited

Maharashtra—Baker Mercer (India) Ltd—to—Baker Me (India) Pvt Ltd,

Tamil Nadu—Nizam Paper and Board Mills Pvt Ltd,— Nizam Paper and Board Mills Ltd,

Haryana, Karnataka—M/s Hindustan Machine Tools Lt to—M/s HMT Ltd,

Maharashtra—Ex-Cello-O India Ltd, — to — XLO-I Limited

Punjab—M/s The Punjab State Cooperative Supply Marketing Federation Limiled—to—The Kotkapura Co-oper Spinning Mills Limited.

Import policy for 1979-80

The import policy for 1979-80 was announced by the minister for Commerce, Mr Mohan Dharia, in parliament on May 3, with a delay of about a month. The delay, as explained by him a few days ago, had been caused because the ministry wanted to specify beyond doubt certain procedures and also desired to make certain definitions very precise.

The structure of the policy, as enunciated last year, has been retained this year with one difference. Whereas last year's policy primarily aimed at raising domestic output and imparting stability to the economy, this year's policy also has in view export promotion. This third dimension has been added due to the fact the growth in exports last year—expected to be around 4.5 per cent—considerably fell short of anticipations.

Mr Dharia has stressed that the current year's policy "takes due cognizance of the recent trends in the world economy, the development needs and capacities of the national economy and the increasing gap in foreign trade. The policy is directed to meet the basic inputs and requirements of the country, acquire new science and technology, strengthen the production base both in agricultural and industrial sectors, and attain the objective of self-reliance as quickly as possible."

The following are the salient features of the 1979-80 policy:

IN RESPONSE to the representations received that actual users utilising the services of agents for importing goods under the Open General Licence (OGL) may also be allowed to make remittances towards the imported materials through them, provision has been made to allow, in the following types of cases, the agents to open letters of credit and make remittances to foreign suppliers on behalf of the actual users concerned:

(i) Agents importing goods for scientific or research laboratories, institutions of higher education and hospitals and government departments;

(ii) Agents importing goods for public sector enterprises owned or controlled by government; and

(iii) Export houses acting on behalf of actual users.

Suitable provisions have been made in the policy to ensure expeditious issue of clarifications to actual users making enquiries about import and export policies and procedures. A separate chapter on this has been incorporated in the import policy. Careful attention has also been given to make the entries as much free from doubt as possible, based on the experience gathered in 1978-79. These appendices contain the lists of items the imports of which are banned or restricted.

As a measure of procedural simplification, the adherence by actual users to their approved phased programme of manufacture will be monitored by the DGTD and other sponsoring authorities concerned through special returns to be furnished to them by the concerned actual users—and not through the licensing system.

Import and Export (Control) Orders have been suitably amended to put imports made under open general licences on par with the other types of imports, for the purposes of debarment and other penal actions and also to make whole time and managing directors as well as partners liable to penal action for the offences committed by the concerned company/firm.

Transitional arrangements have been made in the import policy with regard to utilisation of licences already in operation or new licences to be issued against previous claims, in order to achieve effective implementation of the new import policy. In such cases, restrictions have been imposed against the import of banned and canalised items.

A new and simpler system has been evolved for disposal of applications for REP licences received from registered exporters. Under this system, exporters applying for cash compensatory support under the simplified payment scheme will be granted a provisional certificate of exports, on the basis of which they would be able to apply later for a REP licence against the same set of exports, without having to submit another set of export documents requiring a recheck of the same documents as those submitted ealier.

The system of issuing automatic licences for import of raw materials components and spares will continue as in 1978-79, but the additional 10 per cent over the certified actual consumption in either of the previous two years, on the basis of which the value of automatic licence is determined, will be available only to (*i*) small-scale industrial units whose certified (annual) consumption was not more than Rs 7.5 lakhs; and (*ii*) other industrial units which exported, in either of the previous two years, at least five per cent of their annual production.

Repeat Licences

The system of issuing "repeat" licences to small-scale industrial units will continue, as in the past period. However, if a small-scale unit had been receiving more than one such licence in the past, it will be eligible to only one repeat licence in 1979-80; for its balance requirements, it could apply for a supplementary licence in the normal course.

The facilities provided in 1978-79 for utilising a part of an automatic licence for importing the banned items will continue.

An additional 10 per cent of the value of an automatic licence will, as in the past period, be provided for the import of consumables required by the industrial undertaking, subject to the same restrictions as in 1978-79.

The system of issue of supplementary licences will continue.

Units in the drugs and pharmaceuticals industry, manufacturing items for other "loan licensees" under the Drugs and Pharmaceuticals Act, 1940, can apply for a supplementary licence or an allotment of canalised items required to fulfil such orders. The loan licensees will not themselves be eligible to get actual user licences or allotments of canalised items.

New Units

Only industrial units, which came into existence in 1979-80 will be treated as "New Units" under this policy. Those, which were in production earlier, can apply for supplementary licences in case they are not eligible to get automatic licences.

It has also been provided that an actual user who had begun production in an earlier period, but has no consumption of imported inputs on the basis of which to apply for an automatic licence, can apply for a supplementary licence straightway.

The maximum value of licences to be recommended in the case of a new small-scale unit would be Rs 3 lakhs or Rs 5 lakhs, as in the privious period, depending upon whether it is set up outside or inside a backward area or by a person eligible to special consideration.

However,

(a) where an actual user (industrial) is granted a new industrial licence or registration certificate for the manufacture of a new end-product in the same undertaking, he may use the automatic and supplementary licences already available to him to proceed with the new production, after taking the written approval of the sponsoring authority concerned—if his requirements cannot be met within the value of licences already held he can apply for a supplementary licence in accordance with the prescribed procedure.

(b) it is expected that new units depending on banned items of raw materials and components will not be encouraged — the sponsoring authorities will not recommend defectives/cuttings/scrap materials and banned items required for the manufacture of consumer goods.

However, where a very limited import of any other banned item is considered essential even to begin with, the sponsoring authority may recommend such an item to a new/proposed unit for a value not exceeding 10 per cent of the total value of the licence recommended; and within this limit, a single item will not be recommended for more than Rs 50,000 in value.

Actual users (industrial) will continue to be eligible to import under open general licence raw materials and components which are not banned, restricted or canalised.

Registered Exporters

Registered exporters will continue to have the facility of getting import replenishment licences against exports, for the import of relevant banned or canalised items and packing materials. REP licences will also continue to be freely transferable, unless they are held by export houses and used for importing OGL items for actual users.

Reflecting the changes made in the banned, restricted and canalised items of raw material and components, the materials covered by REP licences have been reviewed and appropriate changes made.

Face value restrictions would remain for some items in REP licences. However, for more economic ordering, packing and freight considerations, the following facilities have been extended:

(a) Licence-holders will be permitted to import more in value/quantity upto five per cent of the specified limit, within the overall value of the licence; and

(b) Value restrictions on individual items will not apply in case where the quarterly REP entitlement does not exceed Rs 10,000 in value.

Direct Imports

Direct import of canalised items against REP licences will now be allowed also in respect of shoddy wool/woollen rags. In the case of the canalised items the facility of direct import by the registered exporter will be permissible only after prior approval by the Chief Controller of Imports and Exports, New Delhi.

Public sector undertakings and government departments, which were hitherto exempt from registration with the respective export promotion councils will hereafter be required to do so like private exporters. However, they will have the option to register themselves with the Federation of Indian Export Organisation directly, instead of individual export promotion councils.

In addition to the J & K state, the Directors of Industries of Andaman & Nicobar Islands, Arunachal Pradesh, Lakshadweep, Manipur, Mizoram, Nagaland, Tripura and Goa, Daman & Diu have been authorised to register all exporters other than gem and jewellery items.

The duty exemption scheme has been made much mor comprehensive than in the past, both in respect of the export products and the raw materials and component covered by it. In future, the exporter can propose the materials for which duty exemptio is desired, provided that a minimum value added of 2 per cent is available and the customs duty payable on al the imported items going int the export product is at leas five per cent of the f.o.b. valu of the product exported. The advance licences committe will decide, on merits, th dispopal of every such application. The phrase, "advanc licences" will hereafter be use only for licences which ar granted with the benefit of suc duty exemption. The benefi of the scheme can be availe of against any existing licenc of an actual user or registere exporter and also impres licences, whether backed b an export order or without a export order. This facilit would enable all regular exporters to maintain their export programme using dut exempted materials continually.

Imprest Licences

Imprest licences (withou duty exemption) will also b available for all export pr ducts, whether or not the qualify for import replenis ment in the import polic Such licences will also given for import of any ite required for export productio Furthermore, registered expo ters would be able to obta imprest licences both in cas where they have specific e port orders in hand and if they have no export orders in hand but have been in the export field regularly.

The policy pertaining to registration of export contracts for protection of REP benefits has been reviewed. Such protection will be available, as for cash compensatory support measures, only upto a specified period as under:

(a) Turnkey projects and exports of specified capital goods —Upto the completion of the contract;

(b) Export of engineering goods other than capital goods referred to in (a) above—Upto three years from the date of the contract; and

(c) Export of other goods not coverved by (a) and (b) above — Up to one year from the date of the contract.

Export Houses

Government has appointed a committee to review the role and working of export houses scheme. The import policy applicable to export houses will be framed by government after knowing its final recommendations. Meanwhile, a few amendments have been made in the policy. These are:

(a) Exports of products carrying import replenishment rates of more than 50 per cent will not qualify for the grant of additional licences to eligible export houses.

(b) The value limit of Rs 2 lakhs per item to be imported against additional licences may be raised to Rs 5 lakhs by the Chief Controller of Imports and Exports in cases where the item to be imported by an export house is required for the manufacture of the products exported by it.

(c) Diversification of exports will continue to be one of the criteria for the grant of export house certificates, but such diversification could be within the same product group.

Export houses will also send to the Chief Controller of Imports and Exports copies of their detailed schemes and action programmes of exports, and the quarterly and annual returns of the exports effected, hitherto sent by them only to the Federation of Indian Export Organisations. Their performance will be monitored more closely in future.

Canalised Items

Imports of aluminium, natural rubber and cement (including clinker) have been canalised through public sector agencies. A few items of chemicals and drugs have also been added to the canalised list. These include desprons and its derivatives, ethoxymethyline di-methyl melonate, novaldiamine, TIOC, titanium dioxide (both anatase and rutile grades) and methanol (technical). Imports of cinematographic films (exposed) i.e. feature films and their import distribution and pricing will now be decided by the ministry of Information and Broadcasting, as per government policy in force in that regard.

Taking into consideration the expected availability of copper from M/s Hindustan Copper Ltd, a proper division of categories of actual users, as between this source of supply and the imported material through the MMTC as the canalising agency, has been laid down.

For proper monitoring of the supplies of non-ferrous metals and stainless steel, allottees will be expected to render to the canalising agency concerned a quarterly account of the materials.

Capital Goods

The list of CG items allowed for import to actual users under open general licence has been enlarged. Import of jigs, fixtures, moulds and press tools has been placed on open general licence for actual users (industrial).

The policy for import of precision instruments has been rationalised. A clear distinction has been drawn between scientific and measuring instruments and the other requirements of actual users (industrial), namely, raw materials, components and tools. The automatic licences will not be vaild for the import of such instruments. A few of them have been banned for import totally. Some others will be allowed upto a limited extent to actual users—equal to 1/2 per cent of the value of capital goods installed or in use by them, subject to the further condition that not more than 10 numbers of each item would be allowed for import and their total value shall not exceed Rs 2 lakhs in a year. Instruments which do not figure in the banned or the restricted list will be considered, on merits, on par with the policy for import of capital goods.

Actual users (industrial) who place orders on indigenous manufacturers of capital goods for at least 90 per cent of their machinery requirements, will be allowed to import the remaining 10 per cent (or less), subject to a maximum of one crore of rupees in value, without an essentiality certificate of the sponsoring authority and without indigenous clearance, or the need for an advertisement. Import of banned items of capital goods will not, however. be allowed in these cases.

Capital goods licences issued to major projects will be made valid for import of any item of capital goods, not already covered by the licence, that is needed for its expeditious completion in the last phase, provided the import does not exceed five per cent of the value of the licence subject to a maximum of Rs 25 lakhs, within the overall value of the licence. Under this facility too, banned items will not be permitted.

The procedure for import of capital goods against REP licences has been simplified. In such cases, permission to import capital goods will be given freely upto Rs 15 lakhs in value in each case, on the recommendation of the sponsoring authority concerned, subject to clearance by the DGTD.

Import of Spares

The policy for import of spares has been liberalised in the interest of efficient production and proper maintenance of assets.

Actual users will continue to have the facility of importing under open general licence, "permissible" spares, i.e. those not appearing in the banned list.

Import of non-permissible spares has also been liberalised. Import of such spares will be allowed at two per cent of the c.i.f. value of imported capital goods and one per cent of the purchase price of indigenous capital goods, in use by the applicant as on April 1. 1979.

Import of spares required for fulfilling warranty obligations or rendering after-sales service has been liberalised. Such after-sales service could be free of cost or at a price; this has been clearly set down in the policy. The standard of service rendered by actual users, availing of this facility, to the respective customers will be watched by government.

Export houses will continue to have the facility of importing permissible spares against their additional licences. Besides, in order to meet the diversified requirements of various small users, individuals and institutions alike of different types of imported equipment, mainly electrical, electronic and instrumentation in nature. Export houses have been permitted to import spares of items falling under specific headings appearing in the schedule to the Imports (Control) Order, upto a maximum of Rr 2 lakhs per export house and within the value of their additional licences. Representations had been made to government about the need to fill the gap left in this regard by the abolition of established importers in 1978-79; it is hoped that this new facility granted in the 1979-80 policy will prove to be more complete and satisfactory than in the past.

Emergency Licences

The facility for the grant of emergency licences for import of spares will continue. This facility will, as in the past period, be available to actual users (non-industrial) for import of emergency spares of a machinery which is intimately connected with the daily activities of the applicant.

The facility of import of spares of imported vehicles/tractors without licences, upto a limit of Rs 2,500 a year per imported vehicle/tractor, will continue.

Import policy for samples has been considerably liberalised. In the case of registered exporters, the value limit upto which samples can be imported against REP licences has been raised from Rs 10,000 to Rs 50,000. Similarly, the value limit upto which manufacturer exporters can import samples, without a licence, by post or air freight has been raised from Rs 500 to Rs 5,000.

OGL Imports

Imports of the following have also been placed under open general licence:

(i) Drugs and medicines supplied free of charge for clinical trials with the prior approval of the Drugs Controller (India);

(ii) Trade samples of drugs and medicines supplied free of charge to the sole agents in India up to Rs 10,000 in value on the recommendation of the Drugs Controller (India);

(iii) Human vaccines and sera imported free of charge or on payment, on the recommendation of the Drugs Controller (India);

(iv) Animal including poultry vaccines imported free of charge or on payment, on the recommendation of the State Director of Animal Husbandry or the Animal Husbandry Commissioner to the government of India;

(v) Technical and trade samples of insecticides (including pesticides and weedicides) supplies free of charge, with the approval of the Central Insecticides Board.

Various types of project exports have been identified for the first time in the import policy and appropriate administrative procedures set down. The procedures have been streamlined in consonance with the role already being performed in such cases by the IDBI.

Where imports from a third country into the 'project' country are made for executing an approved project, no import licence will be separately required, in addition to the foreign exchange sanct given by the Reserve Bank India.

Equipment used in the c cution of a project overse

Imports, Exports (Incl. Re-Exports) and Balance of Trade During the Years 1970-71 to 1978-79 (upto February, 1979)

(Value in Rs cror

Years	Imports	Exports (including re-exports)	Balance trade
1970-71	1634.20	1535.16	— 99.
1971-72	1824.54	1608.22	— 216.
1972-73	1867.44	1970.83	+ 103.
1973-74	2955.37	2523.40	— 431.
1974-75	4518.78	3328.83	—1189.
1975-76	5264.78	4036.26	—1228.
1976-77	5073.95	5145.78	+ 71.
1977-78*	6027.56	5375.46	— 652.
April 1977-February 1978*	5468.44	4909.27	— 559.
April 1978-February 1979*	6001.05	4938.28	—1062

*Figures are based on the press note issued by Direct General of Commercial Intelligence and Statistics, Calcu for the month of February, 1979.

Source : Monthly Statistics of the Foreign Trade of India, Vol & II, published by Director General of Commerc Intelligence and Statistics, Calcutta.

Value of Import Licences Issued by the Import and Export Control Organisation During the Licensing Periods— April 1964—March 1965 to April 1978—March 1979

Licensing Period	Value in Rs crc
April, 1964—March, 1965	1567*
April, 1965—March, 1966	1096*
April, 1966—March, 1967	1894*
April, 1967—March, 1968	1110
April, 1968—March, 1969	945
April, 1969—March, 1970	1204
April, 1970—March, 1971	1634
April, 1971—March, 1972	1854
April, 1972—March, 1973	1856
April, 1973—March, 1974	2334
April, 1974—March, 1975	2636
April, 1975—March, 1976	3316
April, 1976—March, 1977	5921
April, 1977—March, 1978	7406
April, 1978—March, 1979	4004

*Value of licences prior to June 1966 have been derived escalating the actual licensing figures by 57.5 per cent. Figu for the period, June, 1966 onwards, however, represent va of actual licensing.

procured from outside India for that purpose, can be imported into India after completion of the project against customs clearance permits which will be issued without calling for indigenous clearance. In the case of automobiles purchased for the execution of projects oversaes also, guidelines have been laid down in consultation with the Reserve Bank of India, for their initial purchase as well as their disposal overseas/import into India after the project is completed.

Consultancy and Designing

Where such a firm is itself not an actual user (industrial) but it has been awarded a contract for a complete project upto the stage of handing over the related capital goods to the project authority concerned, it may apply for the import of the requisite raw materials, components, consumables and capital goods. Similar facilities will also be available to an actual user (industrial) in the field of instrumentation who needs imported items other than those manufactured by himself, to execute the contract awarded to him. All such applications will be considered on the recommendations of the project authority concerned.

A somewhat more liberal import policy will be followed for allowing import of machinery purchased out of foreign exchange savings abroad, non resident Indians who wish to return home for settlement and set up an industry. In their case, the existing limit of Rs 25 lakhs for import of machinery without indigenous clearance would apply to a single person. Hence, if two or more persons wish to come back and set up an enterprise jointly, the limit would apply to each one of them separately. In appropriate cases, government may also relax the limit of Rs 25 lakhs even for an individual.

In the case of second-hand (used) capital goods, however, their import would be allowed under the scheme only if the value of new machine of more or less the same type and specification is not more than Rs 25 lakhs.

More facilities than hitherto available will be given to non-resident Indians, who prefer to stay abroad but wish to invest in an enterprise in India wituout the right of repatriation of capital or dividend. They will also be allowed to import machinery and raw material like those who are returning home but with the difference that, in their case, import of banned or second-hand goods will not be permitted.

A provision has been made in the import policy for the first time to allow import of modern cameras by photographic studios. Such studios holding a licence under the Shops & Establishments Act for at least three years will be allowed to import cameras of set specification and of value not less than Rs 2,000 (c.i.f.). Under this provision, only one camera wiil be allowed for each such actual user who has not imported a camera in the past five years.

The following items have been added to the list of items permitted to be imported under Open General Licence (OGL) by all persons for stock and sale:

(i) Spares of such life saving equipment as are themselves allowed for import under open general licence;

(ii) Brass scrap and zinc/zinc alloy scrap;

(iii) Lubricating oils for watches, clocks and time-pieces,

(iv) Gum arabic.

For the benefit of importers and exporters, a new edition of the Hand Book of Import-

Break-up of Imports into Major Heads During the Years 1973-74 to 1977-78

(Value in Rs crore)

Major Heads	1973-74	1974-75	1975-76	1976-77	1977-78
Maintenance Imports	2068.50	3304.42	3317.54	3525.27	4465.52
	(70.82)	(73.96)	(64.32)	(70.29)	(74.10)
(a) Raw materials and intermediate goods (excluding metals)	1304.51	2292.67	2363.03	2572.14	3345.69
	(44.66)	(51.31)	(45.82)	(51.28)	(55.52)
Of which :					
Petroleum and petroleum products	560.27	1156.95	1225.69	1412.06	1555.58
	(19.18)	(25.89)	(23.76)	(28.16)	(25.81)
(b) Components and spares	381.78	416.41	551.10	573.56	669.14
	(13.08)	(9.32)	(10.68)	(11.44)	(11.10)
(c) Metals	382.21	595.41	403.41	379.57	450.42
	(13.08)	(13.33)	(7.82)	(7.57)	(7.48)
(i) Iron & steel	242.56	417.28	305.56	219.73	259.53
	(8.30)	(9.34)	(5.92)	(4.38)	(4.31)
(ii) Non-ferrous	139.65	178.13	97.85	159.84	190.89
	(4.78)	(3.99)	(1.90)	(3.19)	(3.17)
Food cereals and edible products	528.79	849.48	1398.91	977.33	927.42
	(18.10)	(19.01)	(27.12)	(19.49)	(15.39)
Complete machinery and equipment	263.87	249.92	357.84	435.60	436.64
	(9.03)	(5.59)	(6.94)	(8.68)	(7.25)
Essential finished goods	47.23	57.01	63.81	65.99	135.08
	(1.62)	(1.28)	(1.24)	(1.32)	(2.24)
Other items including unclassified items	12.52	7.20	19.72	10.95	61.62
	(0.43)	(0.16)	(0.38)	(0.22)	(1.02)
Total	2920.91	4468.10	5157.82	5015.15	6026.01**
	(100.00)	(100.00)	(100.00)	(100.00)	(100.00)
	2955.37*	4518.78*	5264.78*	5073.95*	6027.56*

**Figures are provisional. *Denotes revised figures, break-up of which is not available.

Note : Figures in brackets denote percentage of each head to total imports.

Source : Monthly Statistics of the Foreign Trade of India, Vol. II—Imports, published by the Director General of Commercial Intelligence and Statistics, Calcutta.

Export Procedures is being published which incorporates the procedures relating to both imports and exports.

The number of items absolutely banned for import has been reduced from 96 last year to 65 this year. The number of items in the banned list has been reduced from 751 to 658 and in the restricted list from 498 to 462. In some cases the generic names have been replaced by specific names to avoid difficulties at the time of customs clearance.

Modified List

The major changes effected in the above three lists are:

(i) Six items have been transferred from the banned list to the OGL. These are chrome salts, dinitro chlorobenzene, wood resins, sulphuric acid, vinyl chloride and zinc scrap.

(ii) Eleven items have been transferred from the restricted list to the OGL. These include brass scrap, zinc alloy scrap, metanitrochlorobenzene, phenol, xylene, bimetal contacts and points, bimetal/multimetal bearings, metallised plastic films, zinc and lead concentrates, zinc dross, and nonferrous uncoated electrodes/rods/wires/strips/coils.

(ii) Several items have been transferred from the banned list to the restricted list. These include calcium gluconate (injectable grade), dyestuffs. gelatine of all grades, lanolin anhydrous, stickers, labels and gummed paper and various types of switches.

(iv) Four items have been removed from the OGL and transferred to the restricted list. These include corkwood products, glassine / grease proof/parchment paper, nylon fibre tips and filters for sketch pen and succinic acid.

(v) Seven chemicals have been transferred from the restricted list or OGL to the banned list. These are TMA, bisphenol, citric acid, iron/alloy iron powder, malleic anhydride, potassium ferricyanide, sulphadizine and vanillin/ethyl vanillin.

Thirty-six items have been deleted from the absolute banned list. Four items have been added to it. The items added are phenacetin; DNPT; grand parent stocks (poultry); and bronze powder, granules and flakes.

The deleted items are: acetaldehyde; acetic acid; aluminium hydroxide gel; ammonia (liquor); animal glue and belt dressings; benzyl butyl phthalate; berberine and its salts; brucine and its salts; calcium chloride; calcium phosphate (mono and tri); chlorine liquid, citronelyl acetate; citronellolpure; copper chloride (cuprous and cupric); copper sulphate; dibutylphthalate; diethylphthalate; dimethylphthalate; ethylacetate; extruded sheets/tips/strips-LPD, HDPE; polystyrene; PVC and ABS; free mixture of potassium/
sodium cyanide; potassiu
chloride; potassium carbona
gelatine (technical); hydroq
none; menthol, all grades; m
tures of odoriferrous substan
es; orthotoluene sulphon
mide; phthalic anhydric
phthalate plasticisers; pota
sium acetate; PVC leath
cloth of all sorts; rubb
chemicals (blowing agen
based on hexamine); silv
nitrate; sodium thiosulpha
(hyposulphite of soda
strychnine and its salts; bicy
tyres and tubes, miniatu
circuit breakers.

Category-wise Number and Value of Import Licences Issued during 1976-77, 1977-78 and 1978-

(Number: Actuals Value: Rs crores

Category	1976-77		1977-78		1978-79	
	Number	Value	Number	Value	Number	Valu
Established Imports	15,589	52.33	14,121	43.40	793	4.9
Actual Users (Non-DGTD, Non-SSI)	13,507	1404.43	8,166	801.50	4,036	779.
Raw materials (DGTD Units)	6,110	547.26	5,846	671.10	3,478	702.
Small Scale Industries	17,035	107.07	11,340	107.75	9,017	184.
Registered Exporters	29,729	415.51	39,256	741.39	41,562	1096.
Capital Goods	2,611	506.18	2,599	497.17	2,830	425.
Heavy Electrical Plants	117	3.94	172	24.28	87	135.
Adhoc (All Categories)	632	1202.98	661	1292.95	383	96.
Customs Clearance Permits	2,319	75.96	1,970	181.22	1,371	49.
State Trading Agencies	8,648	1570.92	1,835	1669.72	212	496.
Director General of Supplies and Disposals	97	4.71	75	1.47	61	1.
Railways Contracts	393	16.59	394	18.57	424	47.
Government or Against Government Contracts	110	4.78	80	4.12	56	4.
Replacement Licences	651	6.11	463	4.51	101	2.
Blanket Licences	1	0.56	—	—	—	—
New Comers	72	1.63	1,005	3.45	1	ne
Free Licensing Scheme	—	—	55,084	1343.59	—	—
Others	—	—	11	0.07	90	2.
Total	97,621	5920.96	1,43,078	7406.26	64,502	4004.

*It relates mainly to licensing done under Indo-Afghan Trade agreement.

Note:—(1) Import licensing figures for POL items, recorded under Adhoc Category for 1976-
are inclusive of subsequent enhancement in value of these licences to the extent
Rs 1158.06 crores and for 1977 78 to the extent of Rs 941.09 crores.

(2) Licensing done for POL items (crude oil) and subsequent enhancements in value ha
been accounted for under Actual Users, Industrial (Rs 412.04 crores) and Sta
Trading Agencies (Rs 162.79 crores) during 1978-79.

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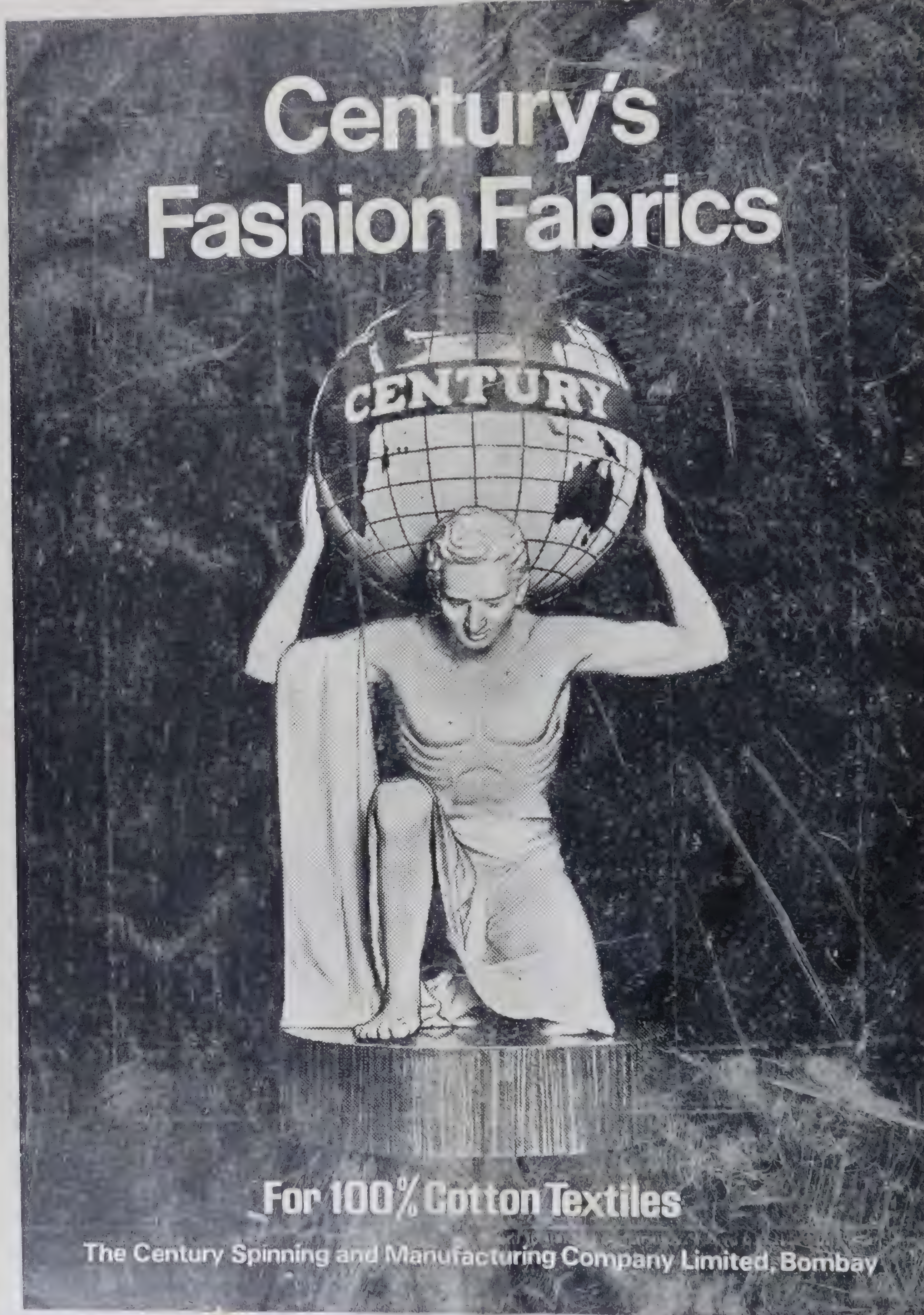
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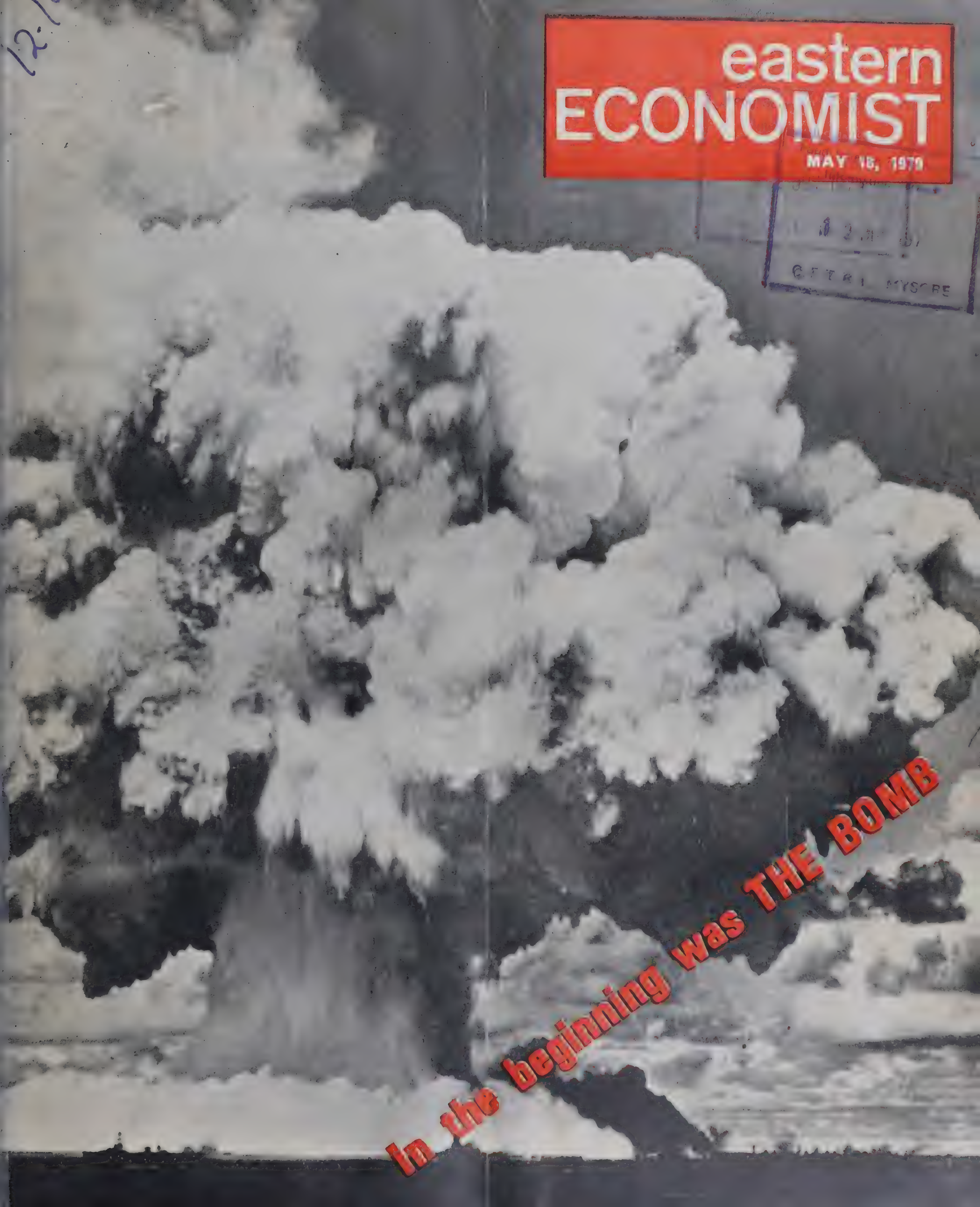

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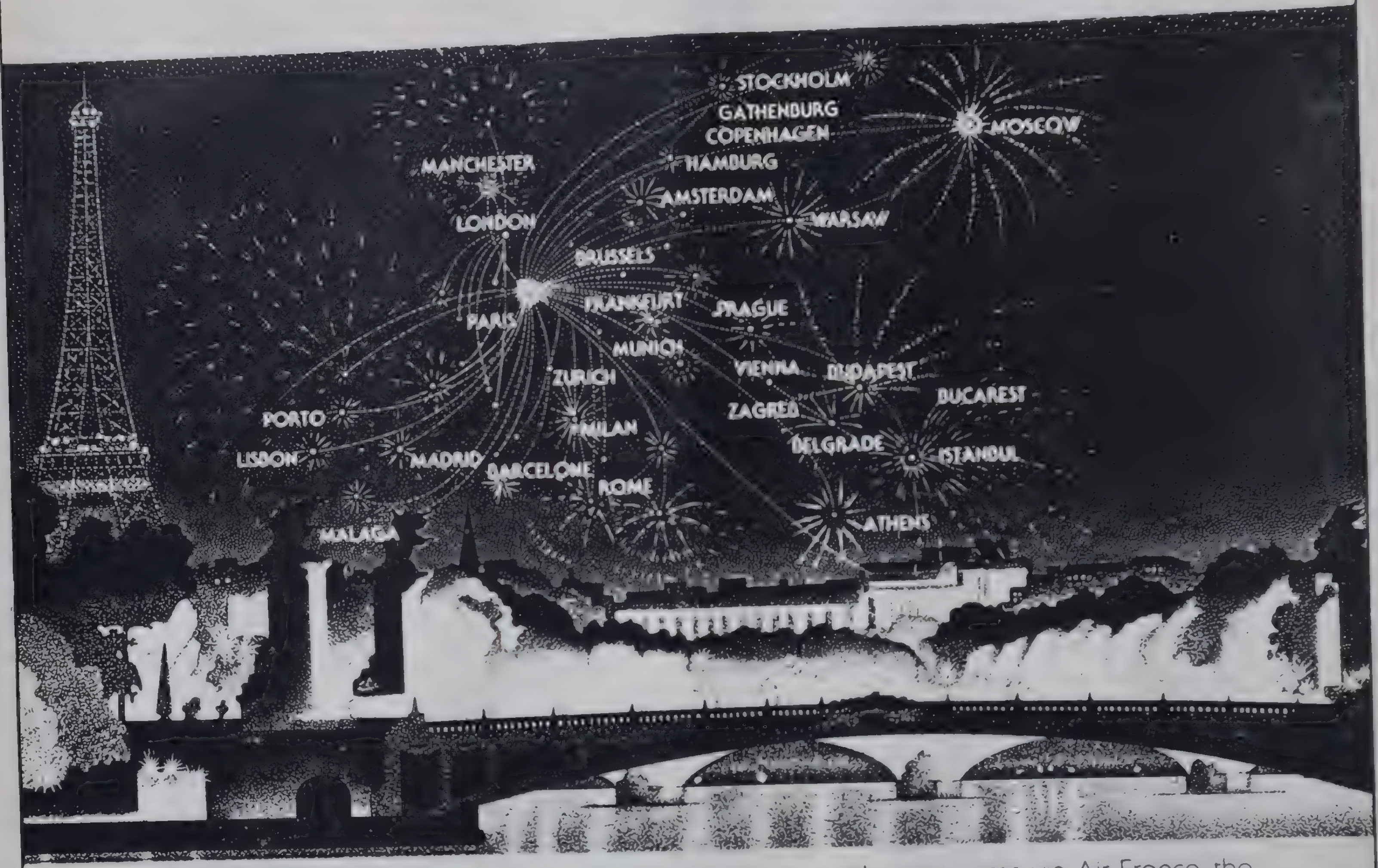

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Price feelers

THE GOVERNMENT is finding that relative price stability is proving very, very relative. In seven weeks the wholesale price index has moved up by six per cent. This is neither by God's grace, nor by Mr Charan Singh's. The collective responsibility of the cabinet has been never more relevant than now. Every minister has helped, by doing his bit—or, not doing his bit. This Council of Ministers is about the worst the country has had. The prime minister, no doubt, is a respected political leader, an administrator with an outstanding record for firmness and clarity in decision-making and, above all, a late-maturing statesman who has pleasantly surprised his admirers (while taking his detractors by surprise) by the skills he is displaying in negotiating his way through party or government business, or national or international affairs. But he has been burdened with more duds for colleagues than any of his predecessors, while he seems to be far less able than either Nehru or Mrs Gandhi, or even Lal Bahadur Shastri to show the door to ministers who would queer the pitch for him, or who otherwise become liabilities. The cabinet still has a Raj Narain or two.

This is why mid-way in its term of office the Janata party is becoming a nine days' wonder as a ruling party. Not that its days, or even months are numbered. That they are not. But it could meet with a fate much worse than death if it does not watch its steps. For, what could be so bad for a political party as the people losing faith in its capacity not just for keeping the country going, but for helping it to go places? It is now being estimated in the Planning Commission that the overall growth rate was only 3.79 per cent in 1978-79, as against 7.25 per cent in 1977-78. Although the manufacturing sector had grown by 7.27 per cent the overall performance of the economy was pulled down by the low growth of 1.91 per cent, in agriculture. This should help to correct the false impression sedulously spread by certain Janata politicians that an economic breakthrough has been achieved just because industrial output improved by eight per cent through 1978 from the trough of 1977. What this country needs and must have is a growth rate for all of the economy of a steady 10 per cent to be reached in the nearer rather than in the more distant future so that there could be real relief from poverty for its people through employment of a quality, which produces incomes of substance, which in turn could help families to live reasonably well and equip their young for an even more rewarding future.

For their own selfish reasons the politicians in office dare not place such a vision before the nation. It suits them to be judged by criteria as modest as possible and hence it is that they are indoctrinating the mass of the people with the idea that they should consider themselves well-served by God and the government if, at some future date, there is some food, some clothing and some shelter for most of the common men. Their readiest excuse is that there are not enough resources for progress any more rapid than the removal of destitution. Yet the domestic saving rate is some 18 per cent of the net domestic product, while about five per cent more is added to it by remittances from abroad. With this order of savings, Japan has been able to achieve rising double digit rates of economic growth over a sustained series of years. Surely the people are entitled to ask what has been going wrong in this country, or, even what has been wrong with the policies of government, since government has assumed primary and near-total responsibility for managing the development process?

They speak up

BUT, THEN, put the question and see what the reaction is in certain quarters. It is replied to only with tirades against the impertinence of doubts being cast on the perfection of government policies. Even ministers, who have been in office only for the last two years or so, take it upon themselves to speak up fanatically for the good faith or competence of economic policies framed and implemented by previous administrations over two decades or more, even while they themselves do not hesitate to condemn those administrations in the most unrestrained language when it suits their books. It argues for a lack of a sense of proportion that they cannot comprehend the simple truth that when the inadequacy of economic progress is deplored, it is not as if the present government is being held wholly responsible for this.

All of us realise that government policies have been taking wrong turns for much of the last 30 years. Where there is criticism of the present government, this criticism only reveals the disappointment and pain of those who might have expected better of the present government. After all, it is undeniable that the prime minister, whose authority to speak on behalf of the government is surely unquestionable, had been saying repeatedly in the early days of this government that it would allow the economy to grow by removing unnecessary restrictions and regulations and withdrawing controls which had outlived their utility. If this promise has not been kept or if he is being prevented from keeping it, what is there improper in people who care and are concerned deploring this course of events? For any politician, even including a cabinet minister, too sure of himself, to claim the right to rule out such expressions of opinion as objectionable is surely to stake an untenable title to a censorship of the citizen's right to free speech.

No wonder, then, the truculent tactics of the Industry minister for silencing leading personalities in the business world, who consider it a public service to bring out the flaws in government policies, are becoming counterproductive. Referring to the abrasive reaction of Mr George Fernandes to a widely publicised speech made by Mr G. D. Birla at the last annual session of the FICCI, Mr J. R. D. Tata, in the course of an interview with *Financial Express*, said: "Only recently, perfectly harmless advice, which will be considered even patriotic, given by an old and respected leader of industry, urging industrialists not to be perturbed by government policies and actions and to go ahead and produce more for the country's good, was criticised, as advocating defiance of government, by a union minister who threatened punishment to those who followed Mr G. D. Birla's advice".

unredeemed arrogance

Mr Tata characterised this attitude on the part of the minister as "a sad consequence of an arrogant belief that all knowledge and wisdom in India are concentrated in government and can be questioned by spokesmen of industry only at their peril". He pointed out that European, American and Japanese industrialists can and do strongly express their views and criticise their governments without fear of retaliation in the form of denial of licences or other forms of punishment for daring to do so. Not so in India and this is why "in the permit and licence raj, under which the private sector has had to operate for the past two decades, heads of industrial companies must take into account the interests of their companies and of the many thousands of shareholders with whose interests they have been charged, which could be severely damaged by ministerial reaction to their criticism".

While explaining this background to the general failure of industrialists to react publicly to the continuing attacks on the private sector by some central ministers and others, Mr Tata conceded that, "such hesitancy and failure does, I suppose, show a lack of courage". Perhaps among the few eminent industrialists, who have not unduly hesitated to throw their punches when the occasion warrants is Mr S.L. Kirloskar. In a forthright speech inaugurating the annual general meeting of the Indian Chamber of Commerce in Calcutta on May 15, Mr Kirloskar said that high taxation, elimination of the managing agency system, labour legislation passed during the past 30 years and the MRTP Act were the greatest stumbling blocks to the faster economic growth of the country.

He said that the productive capacity of the country could have gone up by more than three times but for these controls and argued that the proof of the failure of government policies was clearly provided by the current shortages of basic materials such as coal, steel, cement, chemicals and power. He held the Planning Commission to be the villain of the piece and asked for its being wound up in the national interest.

Mr S.K. Birla, president of the Chamber, made an important point that at least Rs 1,600 crores were being spent annually by the government merely on its regulatory measures. This meant a needless and indeed harmful diversion of resources from areas where they could be productively employed in generating employment opportunities and faster economic growth. While Mr Kirloskar supported the view that all losing public sector units should be closed down or denationalised, Mr S.K. Birla proposed that open tenders

might be called for setting up basic industries such as power stations or steel plants and that wherever the tenders from the private sector were lower they should be accepted.

However, the most strongly worded indictment still came from Mr J.R.D. Tata. Joining issue with the Industry minister on the latter's statement that the real bane of the public sector was the concept of the mixed economy, Mr Tata retorted that "if a bane is to be mentioned at all, it is that of those politicians who, ignorant of practical industrial realities and obsessed by obsolete ideologies, have, since independence, hamstrung and distorted the economic progress of the country". He expressed his amazement at the assertion of Mr George Fernandes that there was nothing for the public sector to be apologetic about and pointed out that this claim "is surprising, to say the least, in the light of the current disastrous shortages in the public sector power and coal industries, which, at this very moment, are crippling a host of industries and costing the country perhaps Rs 1,000 crores per year or more".

Playing with drugs

A SERIES of company reports from the pharmaceutical industry looks back on sales and earnings in the most recent accounting year with a reasonable degree of satisfaction. The dividend declarations have been on the whole satisfactory, the rates being generally maintained, apart from there being increases in some cases. It would appear that the larger companies, including those with foreign equity participation, could learn to live with a pre-tax profit of 15 per cent on the turnover of pharmaceuticals, provided certain harsh and avoidable uncertainties or distortions in the government's drug policy could be eliminated. Mr H. N. Bahuguna, however, seems to have made up his mind to talk and act tough, particularly with regard to firms with affiliations to or associations with the multinationals. A committee is to report shortly on the role that such firms may be permitted to play in high technology areas.

Meanwhile there has been much arm-twisting of individual managements with regard to the dilution of their foreign equity. In the process, perhaps, applications for the introduction or the manufacture of new drugs, some of them life-saving or otherwise essential, are being unduly delayed. If this procrastination is due to red tape in the administrative ministry and/or other concerned ministries, it is surely contemptible, for government procedures have no business denying medicare to the public. If however, policy decisions or lack of them are responsible for this state of affairs, the minister is surely under an obligation to give an adequate explanation to the nation. This he has not done. So far and so long as this is the case, this claim to be serving the consumers of drugs and medicines by forcing the industry to bring down its prices cannot win him kudos that he seems to expect as a matter of right.

Meanwhile the ministry's dialogue with the industry appears to be seriously dislocated. One major reason is that there is a crisis of confidence in the relations between the two. Leading pharmaceutical manufacturers, for instance, find it difficult to persuade themselves that the government is really serious about the development programme for the industry, which is claimed to be a government policy commitment. Indeed for some eight years now the growth of this industry has been stalled in its essentials. Between the setting up of the Hathi committee by the previous government and the drug policy announced in March 1978 by the present government, it has been a period barren of positive directions and unfortunately the new policy has not brought about any improvement here.

The sixth Plan has adopted the following guidelines for the industries development:-

	1977	1982-83
	(Rs	in crores)
Bulk drugs (output)	164	625
Additional investment required in the sixth Plan Rs 370 crores		
Formulations (output)	900	1,875
Additional investment required in the sixth Plan Rs 150 crores		
Exports	25.59	48.6

There has however been no attempt to relate the drug policy or the pricing structure enforced through it to the demands of these investment projections. Indeed, the industry has been given the impression that the ministry is not even being faithful to cabinet decisions or the express commitments of the policy statement. For instance, while the policy statement says that bulk drugs will attract 12 per cent to 14 per cent post-tax return on net worth, the Drug Price Control Order (DPCO) mentions only "reasonable" return. For categories I and II drugs, the operative markups as per the policy statement were to be 40 per cent and 55 per cent respectively and for category III it was to be up to 100 per cent.

arbitrary gradation

In the DPCO, however, markups are treated as ceilings which may not be actually available to the manufacturers. In other words, there is no scheme for marrying cost plus markups with profitability percentages. Again, in the 1970 order, there was only one ceiling—15 per cent—on turnover for formulations, but now there are eight arbitrary or discriminatory grades. It is quite possible that these departures may result in firms withdrawing from the manufacture of essential drugs in categories I and II. Consequently, there are bound to be shortages of these drugs.

The situation is further complicated by the fact that the ministry is going back on the original understanding that those units getting markups lower than 40 per cent, 55 per cent and 100 per cent can automatically go up to the prescribed limits. It now appears that for categories I and II drugs, upward revision of prices will require prior approval from the cabinet. It is also believed that the introduction of retention prices for bulk drugs will cause confusion between the cost price and imported price and work to the disadvantage of the more efficient firms.

Manufacturers of bulk drugs are required to deposit moneys in different circumstances in the Drug Equalisation Fund from which reimbursements are to be made to them on merits. There is a lively fear in the industry that this procedure will result in harassing debates and delays.

This could be one more discouragement to investment in bulk drugs.

Finally the industry is particularly sore about it being obliged to allow trade discount on retail price inclusive of excise duty. The requirement that a discount should be payable on a government levy surely smacks of an animus against the manufacturers. The cumulative effect of all these pricing improprieties and irregularities could hold up further large investments in this essential industry, the rapid growth of which is quite necessary. Indeed the industry has brought to the notice of the ministry that for 25 units having a turnover of Rs 325 crores, their profitability in formulations will come down from 8.6 per cent to less than one per cent as a result of the government scheme of pricing.

internal resources

A predictable result could be that the pharmaceutical industry as a whole may be starved of internal resources for expansion, which would be a national misfortune specially because the public sector in this industry is already very much in the red. Hindustan Antibiotics Limited reported a loss of the order of Rs 26 crores in 1977-78 and the finances of the IDPL have also continued to be in poor shape. While the government's intention of bringing down the price of essential drugs may be welcome in principle, the implementation of this policy has to be knowledgeable and realistic.

The two direct and basic costs of drugs are: direct material cost and direct packaging cost apart from prestigious and costly skilled labour requirement and other basic facilities required to maintain quality standards and good manufacturing practices.

Broadly, the direct material cost varies between 35 per cent and 40 per cent whearas packaging cost varies between 20 per cent and 25 per cent. While the prices of finished formulations have been frozen for the past one year, there has been a substantial increase in the costs of raw materials and packaging accessories due, among other factors, to the impact, both direct and indirect, of increases in taxes. For instance, the excise duty of five per cent on all raw materials was levied under tariff item 68 and in the current budget this has been further enhanced from five per cent to eight per cent. These levies were not applicable at the time of DPCO announced in 1970 when the prices were controlled. Excise increases in oxygen gas, furnace oil, electricity, petroleum products and other gases, coupled with shortage and artificial price hikes not to speak of labour, have jacked up the prices of various raw materials which form inputs for drugs from 10 per cent to as high as 20 per cent.

As regards packaging materials, the price of paper board has gone up by 30 per cent, apart from increases in bazaar prices due to periodical shortages of stocks. The excise duty on kraft paper/ maplitho has also been increased during the current budget and this alone has resulted in price increases of labels and cartons to the extent of 15 per cent to 20 per cent. Similarly, the excise duty on bottles and glass vials/ampules has been increased 31 per cent ad valorem to 35 per cent in addition to the basic excise duty on glass itself. Further the inputs of the glass industry have also been subjected to heavy new excise levies and this again has resulted in fresh increases in glass containers between 25 per cent and 35 per cent on current price levels. The prices of ampules and vials constitute an important element of cost for injectibles and vaccines.

Coal undermined

AT THE annual meeting of the Coal Consumers' Association of India, held in Calcutta recently, Mr H.Niyogi, the president, expressed concern at the fall in the quality of coal and the prospect of further deterioration. He referred to Coal India's announcement that the ash content of even the best quality coal was likely to reach an all-time high of 28 to 29 per cent during the next ten years. Mr Niyogi described this warning as "the death warrant for the consumers". He noted with surprise that the same mines which, before nationalisation, used to supply regularly coal of uniform quality and consistent size were now unable to do so and he attributed this situation to the greater emphasis being laid on quantity than on quality.

Complaints against the quality of coal have been made from time to time by industrial consumers both in the private and in the public sector. Mr Jyoti Basu stated last month that the power-plants of the West Bengal State Electricity Board were unable to function smoothly because of the bad quality of coal. A spokesman of Coal India Ltd emphatically denied this charge but Mr Basu evidently felt justified in reiterating his complaint, while inaugurating the annual session of the Coal Consumers' Association.

inadequate supply

The steel industry has also been severely affected by inadequate supply of coal and its bad quality. Mr Niyogi said that, according to SAIL, "not a single steel plant had worked at the normal capacity even for a single day since September 1978 and pushing in coke ovens had been drastically curtailed in all the steel plants". He added that the average ash content in the coking coal supplied to steel plants had shown "a relentless increase year after year, rising from 20.0 per cent in 1969-70 to 22.5 per cent in 1977-78".

Mr Niyogi made several specific suggestions to improve quality and to ensure adequate and regular supply of coal to consumers. He said that an independent quality control wing should function under the Coal Controller to look into the consumers' complaints on quality and to settle quickly disputes between producers and consumers. He wanted another independent body to fix the grades scientifically according to the correct heat value. He also suggested that all major consumers having continuous process should be allowed to build "comfortable stocks" for three to four weeks' consumption. But what are the prospects of these recommendations being implemented effectively when labour indiscipline continues to be rampant and, at the officers' level also, there is hardly any motivation for hard work?

Productivity, measured by output per manshift, had declined from 0.67 tonne in December 1972 to 0.58 tonne in 1974-75. At present it is about 0.70 tonne. There has been "a phenomenal rise in wages" ate increase in productivity. Coal India can bring about a reduction in the cost of production of Rs 7 per tonne by improving productivity by only 0.1 tonne. But, as absenteeism and criminal assaults on officers are increasing and equipment utilisation continues to be poor, the outlook for this major industry looks grim indeed.

Mr Jyoti Basu said that the proposed continuous strike by coalmine workers was a matter for concern. Coal production in West Bengal was 19.36 million tonnes in 1973-74 and in 1978-79 it was only 19.90 million tonnes. The Eastern Coalfields authorities have revealed that coal production of about 30,000 tonnes was being lost a day because of absenteeism and power cuts. Therefore, can New Delhi and West Bengal afford to remain complacent when this industry, of vital importance to the country's economy, is being deliberately undermined?

West Bengal: diversion of orders

ONE OF the unfortunate consequences of the power crisis in West Bengal has been the diversion of orders to other states. Even before the power shortage entered the present acute phase, engineering industries used to complain about the inadequate flow of orders especially from the various government departments and, as a result, they had to function with large idle capacity. The situation has now become far worse with the collapse of the scheme of power rationing and the resort to extensive load-shedding. The engineering industries heavily depend on railways, defence departments, DGS&D, electricity boards and municipal bodies but all of them seem reluctant to place orders because of the uncertainty about prompt delivery.

Mr B. K. Pal, managing director of the Durgapur steel plant, said recently that manufacturers of spare parts generally took 15 months to deliver supplies which ought to have been done in about four

Durgapur, including the steel plant, have been placing their orders on industries outside West Bengal. It is estimated that in the year ended March 1979, there was a production loss of 27,249 tonnes of saleable steel and 2000 tonnes of sinter because of power cuts. The hundreds of small and ancillary industries in Durgapur and other areas have been crippled due to the lack of orders caused by the severe shortage of power.

Many printing presses whose viability had been seriously affected by the recent three-month strike are reported to be threatened with the prospect of closure. In Calcutta alone there are nearly 5000 presses, small and big, and they as well as their ancillaries have been facing a bleak future in the absence of adequate orders. Other engineering industries and those in the textile, chemical, pharmaceutical and allied sectors have also been in deep distress. Many of them in recent years have been doing well in the export markets. Now export orders also are fast dwindling. Export earnings from jute goods are also likely to suffer heavily. It is estimated that the jute mills

tonnes a day. Even in 1978 power cuts had contributed substantially to raise the production costs in the jute mills and, in the current year, there has been a further escalation. What is even more regrettable is the loss of confidence of the foreign buyers in the jute industry's ability to deliver the goods according to schedule.

The present scarcity of power is expected to persist for the next few months. The installation of captive generating sets would provide some immediate relief but the official policy seems to be confused and contradictory. Mr V. Krishnamurthy, secretary, department of Heavy Engineering in the Industry ministry, said in Calcutta a few days ago that a daily generation of 350 MW could be assured if the captive units in the private sector were all put into operation. But Mr Fazlur Rahman, minister of state for Energy, has said that his ministry is not in favour of captive power plants because the cost of industrial production would be "too much". He has pointed out that such a scheme would not be feasible in view of the country's resources. In any case, the scarcity of diesel oil, the high level of import duties,

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and the refusal of the government of West Bengal to exempt captive power from electricity duty have deterred many industries from setting up their own generating sets.

While presenting West Bengal's budget for 1979-80, Dr Ashok Mitra, the Finance minister, said that the government was reviewing the practices and procedures relating to the purchase of stores, placing of orders and the tendering of contracts by the various departments and public sector corporations. He said that in many cases the government had been able to stave off crisis only by instructing the departments concerned to buy their requirements of goods from specific units. But because of the impact of the power crisis, the government will be able to do little to help the units especially in the small-scale sector in the matter of getting sufficient orders.

Tamil Nadu : electric shocks

WITH AN increase in the content of thermal generation and costlier purchases from the Neyveli Lignite Corporation and the Kerala State Electricity Board, it has not been possible for the Tamil Nadu government to streamline the finances of the state electricity board. There has been no clear thinking on outstanding issues and the inefficiency of operation of thermal capacity, heavily subsidised supply of power to the agricultural sector and the levy of an excise duty on generated power have had a complicating effect and the losses of the electricity board have been swelling in recent years.

The adjustments in tariff charges announced recently and taking effect from May 1, 1979, have been made without usual consultation with industrial interests on the score that the industries concerned had been enjoying concessional rates for a long time and with larger demand for industrial products and higher profitability, the increase in the electricity bill can be borne by the concerned consumers. The hike in the rates for cement, calcium carbide, caustic and aluminium producers has been effected in an arbitrary manner and it has been necessary for the manufacturers of caustic soda and calcium carbide to put up their selling prices. The producers of cement and aluminium cannot however adjust their selling prices suitably as these are controlled by the central government. The hiatus in thinking between the central and state governments has been responsible for the confused and contradictory approach to pricing problems.

rise in electricity rates

The Tamil Nadu government is apparently of the view that the heavy investment in new generating capacity and the need to produce more coal-based power than hydel power, because of the near full harnessing of hydel potential, compel an upward adjustments in electricity charges for meeting increasing expenses. But the question is: how should the tariff structure be evolved and who should bear the subsidy on the supply of energy to the agricultural sector ? It has also to be examined to what extent shortfalls in thermal generation from owned sources have inflated expenditure and therefore residual losses.

An analysis of power generated and purchased in 1978-79 will disclose how the deficiency in thermal station at Ennore and export from Neyveli have upset calculations. But for the gesture of Kerala it would have been necessary to impose even a power cut instead of curbs on maximum demand of HT consumers. It was reckoned that power generated and purchased would be 9,350 million units in the budget etsimates for 1978-79. The anticipated contributions of hydel power from owned sources was 3,600 mu, Basin Bridge Thermal Station 430 mu, Ennore 2,170 mu, supply from Neyveli 2,400 mu and that from Kerala 750 mu. These estimates have turned out wrong. However, the total availability was higher at 10,535 mu, a record for all time. This was because hydel generation in Tamil Nadu was higher by 882 mu, while Kerala supplied additionally 1,017 mu.

Given these additional supplies there would have been no need for restrictions on maximum demand of HT consumers or the maximisation of power generation based on oil at Neyveli which i definitely more costly. But both Ennore and Neyveli failed in their obligations and power generation at Ennore dropped by 375 mu due to unexpected outages and other operational problems. Neyveli experienced serious difficulty in increasing lignite raisings and power generated with lignite dropped by 718 mu. This shortfall was offset to some extent by an increase in power based on oil from the same source by 155 mu. There was certainly some advantage out of the improved hydel power generation within the state. But this was nullified to a great extent by shortfall in power supply from Neyveli based on lignite and an increase in export of power based on oil. The additional purchases from Kerala were no doubt helpful but they were costlier than those of lignite power from Neyveli.

board's finance

The board's finances were therefore unfavourably affected. There was no doubt an increase in gross revenue in the revised estimates to Rs 235.16 crores from Rs 205.42 crores (budget), But there was also an increase in gross revenue expenditure to Rs 194.56 crores from Rs 163.84 crores, without taking into account depreciation and interest charges. Allowing for the provisions under these heads the deficits in the revised estimates have risen marginally to Rs 23.44 crores from Rs 23.02 crores. The deficit would have been lower but for the fact that an amount of Rs 7.27 crores had to be paid by way of excise duty on own generation.

The estimates for 1979-80 are disturbing both in respect of power availability and finances. It is anticipated that power generated and purchases will be only modestly higher at 11,148 mu against 10,535 mu in 1978-79 (revised). If there is an increase in consumption of energy by 12 per cent, as is likely, there will be a deficit in supply over demand of nearly 1,000 mu which may compel curbs on power consumption in summer months in the absence of hydel generation on the scale of 1978-79 and larger purchases from Kerala.

It has been estimated that hydel generation will be only 3,700 mu representing a decline of 782 mu over the revised estimates. Both Basin Bridge and Ennore are expected to generate 682 mu. Neyveli is expected to export 563 mu more than in 1978-79. But Kerala will be supplying only 1,200 mu against 1,767 mu, indicating a shortfall of 567 mu. These changes in the content of power generated and purchased will be highly costly. Tuticorin may be generating 998 mu. But for this contribution a difficult situation would arise though there will be cost inflation in the process.

larger purchases

The Tamil Nadu government has to make sure that the required supply of power is available in the current financial year. There will obviously have to be larger purchases from Kerala, apart from efforts to improve generation at Ennore and Neyveli. The situation may ease to some extent as stated earlier if experience in respect of hydel generation within the state turns out to be as satisfactory as in 1978-79. On the financial side, gross expenditure will increase sharply to Rs 230.61 crores from Rs 194.56 crores excluding depreciation, interest charges and transfers to reserve fund. The deficit is expected to be Rs 48.66 crores against Rs 23.44 crores even with a provision of only Rs 4.02 crores against Rs 21.53 crores towards depreciation and no allocation to reserve fund. The enhancement of electricity charges for HT consumers from May 1, has therefore been steep and it has been conservatively estimated that the additional revenue secured will be Rs 16 crores. There will still be a sizable deficit and the government will have to make good the shortfall in respect of depreciation charges besides bridging the gap.

It has not however been adopting any charitable attitude as the difficulties of the electricity board are mainly on account of the heavy losses of as much as Rs 55 crores sustained on supply of power to agricultural sector. The farmers' agitation in Tamil Nadu on the score of electricity charges has no justification as the lowest rates are being levied for energisation of pumpsets. With the prospect of costlier coal, heavier freight charges and the increasing content of thermal generation it may not be surprising if a further increase in electricity charges becomes necessary in the not too distant future. The state government should not hesitate to make available to the electricity board the revenue that it gets back from the centre through the excise duty on power generation. There will also have to be a suitable formula for offsetting the losses on supply of power to the agricultural sector. Without a rational approach, it will be difficult to promote new power intensive industries in the state. It has also to be examined at this stage what should be the policy in respect of pricing the of power from the all-India angle, as serious regional disparities may have a warping effect on industrial development.

A people's funeral

THE CREMATION of the symbolic *Laghu Udyog Singh* in Patna and the immersion of his ashes in the river Yamuna in the capital a few days ago by the small entrepreneurs of Bihar, who had been lured to setting up small-scale manufacturing units and agro-service centres during the past eight years, has brought under sharp focus how grandiose plans and unfulfilled promises can spell disaster. Nearly 50 per cent of the small industrial units in this state are said to have already closed down and another 25 per cent have gone on the sick list. Nearly all the 243 agro-service centres are reported to have become nearly bankrupt.

This state of affairs may be attributed partly to the inexperience of the persons—most of them well educated, including engineers—who had sought to put up small manufacturing units. But the state government cannot escape blame. Most of the facilities promised by it have either not been provided at all or have been made available only half-heartedly. The guidelines issued to financial institutions for assisting the small units are said to have been flouted. There are widespread complaints of inordinate delays in providing the promised incentives. The result has been that these units come to be established with many initial handicaps. The difficulties got accentuated by lack of adequate arrangements for the supply of scarce categories of inputs, non-implementation of the price preferential scheme as well as non-fulfilment in most cases of the obligation of the various state departments for purchasing specified quotas of their requirements from these units.

Even the much-publicied district industries centres scheme, which has been designed to foster self-employment amongst the educated and give impetus to the setting up of small industrial units, is said to be floundering. Not only have the allocations made by the centre for setting up a small number of DICs been thinly spread by pushing through schemes to cover all the 31 districts of the state, but also the DICs are reportedly being treated as cushioned berths for civil servicemen, without regard to their suitability. The technical jobs in the DICs, it is also learnt, have been by and large filled by persons who do not have the appropriate qualifications.

truncated scheme

In the case of agro-service centres, the assistance provided to the entrepreneurs is said to have been only in the form of one tractor and some accompaning equipment in utter disregard of the fact that this scheme had to be an integrated one under which along with a tractor and its accessories, dealerships of fertilisers, improved seeds, pesticides, fuel and lubricants, tractor spare parts, etc, were to be provided. Further, workshop facilities had to be put up and interest subsidy was to be given by the central government. For the utilisation of tractors in the off-season, state governments were required to exempt them from the road tax. Whereas many tractor-owners have failed to receive the subsidy and are paying normal interest charges—some times even penal interest—, exemption has not been granted so far in Bihar from road tax to tractor-trailers. Interest subsidy, indeed, is said to have been released by the centre in a number of cases. But its actual disbursement to the agro-service entrepreneurs has been held up for one reason or the other. Very often the funds released have been utilised for the payment of salaries to the staff of the Bihar State

Agro-Industries Development Corporation.

The woes of Bihar entrepreneurs may be exceptional. Yet they raise a major question: should the policy of drift be allowed to continue or remedial action be initiated expeditiously? There is obviously a strong case for the latter. It is no use multiplying small units and making them sick. The growth of these units has to be carefully nourished lest substantial investments which have already been made in putting them up should go waste.

Rice revolution

THANKS TO the upward trend in the production of rice in the country during the last four years, resulting not only in the supplies in the open market becoming comfortable but also stocks being built up to the extent of nearly 8.8 million tonnes by April 1 last, the increase of Rs five per quintal in the procurement price of the common varieties of paddy, recommended by the Agricultural Prices Commission (APC), is bound to be widely questioned. But, two other recommendations of this body in its report for the 1979-80 kharif marketing season are significant and need to be seriously contested.

The APC has recommended, very appropriately, that the transportation aspect of farm surpluses should be reviewed in the light of the emerging production trends so that remedial action can be taken expeditiously to obviate the complications that have started arising on this count. It has stressed that following paddy-wheat rotation in cultivation in the non-traditional rice growing areas of Punjab and Haryana, which incidentally are not rice-eating states, market arrivals are very heavy during the post-harvest period. This causes serious problems of transportation, storage, marketing, etc. The problems obviously get accentuated because these two states are also the largest contributors of wheat to government stocks. The surpluses of both wheat and rice, therefore, have to be siphoned off from here and made available to the deficit states of the Indian union in the distant areas.

In these to states, the APC has pointed out, not only the area under paddy cultivation has grown sharply in the recent years, but thanks to problems of water control and management being less severe, the productivity has also gone up very markedly. Whereas the total area under the paddy crop in the country increased from an average of 37.4 million hectares in the three years ending 1970-71 to 39.3 million hectares during the triennium ending 1977-78—a rise of 5.1 per cent—the area in Punjab went up by as much as 86 per cent and in Haryana by 37 per cent. In the treditionally rice-growing states of the south, on the other hand, the area under paddy increased during this period by 12 per cent in Andhra Pradesh, but declined in Karnataka and Tamil Nadu by six and 5.5 per cent, respectively. During 1978-79 also, the acreage under paddy has increased by 28.24 per cent in Punjab and 10.5 per cent in Haryana and Andhra Pradesh.

increased productivity

As regards productivity, whereas the improvement in the national average was 11.4 per cent from 1,091 kgs per hectare in the three years to 1970-71 to 1,215 kgs during the three years ending 1977-78, the most spectacular improvement occurred in Punjab and Haryana. The productivity in Punjab went up by 87 per cent and in Haryana by 60 per cent. In Uttar Pradesh too, the unit-area yield improved by 31 per cent. The increase in productivity in Tamil Nadu, however, was of the order of 17.7 per cent and in Andhra Pradesh to the extent of 8.2 per cent. The productivity remained practically stagnant in Madhya Pradesh and Assam and declined by 10.7 per cent in another important rice-growing state, namely, Orissa. The overall output of rice in Punjab and Haryana has gone up during the last one decade by as much as 250 per cent and 120 per cent, respectively. These two states, along with UP, now account for nearly 75.5 per cent of the aggregate procurement of rice, as against 64.8 per cent two years ago.

This changed pattern of production, undoubtedly, underscores the recommendations of the APC that the transportation problem ought to be reviewed expeditiously and for faster movement, storage facilities should be augmented at a early date, particularly in the defici states.

The APC has drawn the attention o the government — and again quite legitimately—to the fact that, as a result o the chronic food shortages till about three years ago, paddy cultivation has got extended to marginal and sub-marginal lands. In view of the current comfortable supply position and encouraging production trends, the problems created by this phenomenon should be looked into and paddy cultivation should be rationalised. In fact, there is a sound case for the rationalisation of the production patterns of all the crops grown in the country so that the limited land resources can be utilised in an optimum manner, this being all the more important because of the need for stepping up outputs of oilseeds and pulses. Some work is understood to have been undertaken already by the ministry of Agriculture in this regard.

The APC has expressed itself against price parity between paddy and wheat which had been asked for by the southern states. This has been done on the consideration that, while between 1972-74 and 1978-79, the paddy procurement price was stepped up by 37 per cent, that of wheat was raised by only 17 per cent. The recommendation to raise the procurement price for the common variety of paddy from Rs 85 a quintal last year to Rs 90 this year, however, should go some way in assuaging the feelings of the southern states.

The procurement prices for jowar, bajra, maize and ragi, the APC has suggested, should be maintained at the last year's level of Rs 85 per quintal. The procurement of these foodgrains in undertaken only as a support measure.

Correction

On page 905 of the issue dated May 4, in the note under the caption "Borrow Boldly", it was stated incorrectly that the government effected a reissue of the 6 3/4 per cent 2007 loan on April 1 for Rs 50 crores. The right amount was Rs 100 crores. If to this is added a subsequent reissue of this loan for Rs 150 crores, the two tranches aggregate to Rs 250 crores and not Rs 200 crores as was also erroneously mentioned in this note. These mistakes are regretted.

Pilgrimage of peace

BETWEEN MAY 22, 1977, when president Carter declared that the strategic arms race "is not only dangerous, it's morally deplorable; we must put an end to it" and the initialling of the US-USSR strategic arms limitation accord on this May 9, there has stretched a pilgrimage of peace in which all mankind is involved. Nevertheless, it is possible to exaggerate the importance of the SALT-II agreement, which the presidents of the US and the USSR are planning to sign at a summit meeting in Vienna during June 15-18.

Mr Carter himself seems to regard this accord as a way station on the path to a visionary goal—total elimination of nuclear weapons—and, as a realist, he does not expect the world to achieve this goal during his tenure as president, nor perhaps in his life time. But surveying the consequences of inaction, he is convinced that this is a quest that must be pursued. This is why the projected summit meeting in Vienna will be more than a ceremonial occasion. The discussions will cover a wide range of security matters as well as bilateral and international issues which, though strictly not related to SALT-II, will have a bearing on the cultivation of that trust and cooperation between the two nuclear super powers so essential to progressive disarmament.

The SALT-II agreement is an extensive and complex 70-page document, which is in contrast to the dozen pages that was sufficient to contain the SALT-I agreement in 1972. The technical details of this treaty were delegated to the US-USSR negotiating teams in Geneva and official Washington believes that the SALT-II negotiators have been successful in "enhancing" the key factors in nuclear relationships in the following way:

Stability: The treaty offers prospects for a solution to the vulnerability problem involving both countries' intercontinental ballistic missiles. The Soviets have put 70 per cent of their strategic nuclear forces into ICBMs; the United States has some 30 per cent. By limiting qualitative improvements on existing missiles and by putting a limit on the number of ballistic missile launchers—while allowing flexibilily in the development of defensive deployment plants—the vulnerability of the land-based ballistic systems stands to be lessened.

Symmetry: For the first time, a total limit of 2,250 (a ceiling to be reached by 1982) strategic nuclear delivery systems will give each country symmetry of numbers (although involving different systems). More importantly, the officials point out, the sub-limit of 820 on ICBMs with multiple independently targetable reentry vehicles (MIRVs) imposes equal numbers on what are considered the most dangerous and most destabilizing of the strategic weapons.

Predictability: By imposing limits on both quantitative and qualitative developments in strategic weaponry and also by imposing mutually binding verification rules, the treaty removes uncertainties that both sides felt in the past.

In the area of verification—a controversial aspect of the treaty—it is claimed that the treaty is verifiable, that neither side is permitted to interfere with or conceal SALT-related activities from the national technical means of verification by the other country, including verification by satellite, which is now formally legitimate and not "spying" any longer.

The Soviet Union will have to scuttle some 250 ballistic missile launcher systems, 10 per cent of its inventory. The oldest Soviet missiles, it is relevant to note here, are newer than the newest US ICBM, the Minuteman III, deployed in the early 1970s.

The limit of 820 MIRVed ICBMs will allow the United States to proceed with its so-called MX missile programme, the new mobile experimental ICBM. At present there are only 550 US MIRVed ICBMs deployed, the triple-warheaded Minuteman IIIs. The present MX programme envisions some 200 missiles, all of which fit under the SALT II ceilings.

The Soviet backfire bomber, while not included as a strategic weapon under SALT-II, nevertheless is constrained under an understanding that will be exchanged in connection with the agreement. The US officials say they believe the swing-wing supersonic bomber is for peripheral action, that is, for use in Europe, west Asia or adjacent areas in Asia. But the officials note that it could have some capability against the US—as many forward-based US systems in Europe have against the Soviet Union. While no restrictions will be placed on these US aircraft, the Soviets will agree neither to increase the present backfire production level, about 30 a year, nor to upgrade its weapons capability, for instance, to carry cruise missiles.

Further limits on backfire come from treaty restrictions on cruise missiles. They will be limited to a maximum of 28 per aircraft (20 is the practical limit for the B-52,) and any craft that carries cruise missiles would be classified as a heavy bomber. Thus, the backfire would automatically fall under the treaty if it was so armed.

sense of security

Finally, SALT-II is viewed as a preparation for further reductions and constraints in SALT-III and, in this way also, it should provide a sense of security and confidence about the future. Between now and the Vienna summit, however, the Carter administration has to tackle successfully the man-size job of winning the approval of the US senate for the treaty. This 100 member US upper house views this matter as a question of verification. The senate wants to be certain that the Soviet Union adhere in all respects to its part of the bargain and that the US government has the capability for independently verifying that the terms of the treaty are being observed by the other party.

Another, but perhaps less strident objection from some of the senators is that the treaty does not make sufficiently deep cuts in the aggregate number of nuclear weapon launchers. The president, however, may have less difficulty in satisfying the latter complaint for he has been arguing fairly effectively that the choice is "between an imperfect world with a SALT agreement, or an imperfect and more dangerous world without a SALT agreement".

The critical issue therefore is whether those senators who are sceptical about the US ability to verify Soviet compliance could be persuaded to give SALT II the benefit of the doubt on the strength of president Carter's central thesis that progress in strategic arms limitation could make an invaluable contribution to bringing the proliferation of arms under control.

Meanwhile, the White House is leaving nothing to chance and the president has been quoted as saying that the United States' relationship with the Soviet Union will be severed "to a substantial degree" if the senate fails to ratify the treaty. He has also mentioned the possibility of "the confidence of our NATO allies" being shaken—a suggestion which gains strength from the warning uttered by Mr Willy Brandt from West Germany that a catastrophe could result if the US congress fails to approve the agreement. Moscow, describing the treaty as a "triumph of patience and endurance", has more or less officially posed it as a test of the US senate's "political responsibility and maturity". One implication of this comment could be that the Soviet leaders share with the US president and his advisers the assessment that the SALT II treaty, in Mr Jimmy Carter's words, "is to our great advantage and also the Soviets' great advantage". It is of course only too true that there could be no surer basis for any treaty than that the parties to it feel that there is a more or less just sharing of its promises and possibilities.

Lady and the dragon

IT IS not surprising that Madame Nguyen Thi Binh, Education minister and special envoy of Vietnam, got a friendly press during her visit to Delhi. Her game little country has admirers all over the place—and quite properly so. She herself typifies both the charm and the toughness of her people and she is no mean celebrity in the intriguing world of diplomacy where everything is almost always both more real and less true than it seems.

It need not be doubted that she got a courteous hearing from government leaders in the Indian capital. This does not however necessarily mean that she has succeeded in convincing the prime minister that the government of India should recognize immediately what she and her government describe as the new government of Kampuchea. While it is true that New Delhi has no active diplomatic relations in the present circumstances with the Pol Pot regime or what remains of it on the soil of Kampuchea, the situation in Indo-China is still to some extent fluid and the government of India is entitled to keep its own counsel in deciding on diplomatic initiatives relating to that region. Meanwhile, New Delhi has clearly shown its involvement in the welfare of the people of Kampuchea by sending medicines and other relief supplies to that country. It is also highly possible that the government of India may not have much sympathy with the notion that the Pol Pot regime is entitled to representation at the projected non-aligned summit in Havana.

Chinese syndrome

Madame Binh, in her public speeches naturally tried to build up opinion in India against what she claims to be Chinese designs of hegemony. Much of her talk fell no doubt on many willing ears but it is unlikely, again, that the policies of New Delhi could be guided by any but hard-headed calculations of India's own stakes in the fluid east Asian situation. It is worth noting that, although there were not wanting people of greater or less influence in our own country who were determined to stampede the government into another round of *Hindi-Chini bhai bhai*, New Delhi has kept its head in dealing with the new dispensation in Peking. In the same manner, the government may be expected to see for what it is worth any regional effort in east or south-east Asia to work out a confrontation policy against China. This is the necessary truth which the government of Vietnam particularly should clearly grasp if a quick development of close cooperation between Hanoi and New Delhi, which both countries obviously desire, is to proceed on a realistic basis.

In this context, ASEAN attitudes towards the Chinese-Vietnam tensions and border conflicts and their implications may be expected to weigh with the government of India to a very considerable extent. Similarly, Thai reactions will also be considered relevant. Bangkok obviously feels threatened by the overspill of the conflict in Kampuchea and even otherwise it seems to be harbouring considerable anxiety about Vietnam's own political and military designs. The question is not whether such fears are warranted but whether they are being entertained. Since the answer seems to be in the positive, some responsibility rests on Vietnam for doing perhaps a little more than its share of the uphill work of establishing a peace syndrome in the region of Indo-China and the ASEAN.

Meanwhile, Thailand's own reported flirtations with China will necessarily be watched closely in that part of the world. It is not that anybody objects or could object to Thailand cultivating friendship with China or indeed establishing the closest political or economic relations with the latter in the light of its own national needs. At the same time, if there are indications that Thailand has chosen to deal with its problems with Vietnam by acting on the principle that one's enemy's enemy must be one's best friend, many Asian countries including India cannot but view with uneasiness the beginnings of what could be military alliances in a region where the prime need of the common people is for a peaceful life.

communist insurgency

Unfortunately, the political developments in Thailand following the recent elections to the lower house have not been such as to encourage the hope that the government in Bangkok will be able to address itself effectively to the serious problems of communist insurgency within its own borders and the situation in Kampuchea. Gen Kriangsak Chamanand, the prime minister, who had held that office for 19 months as the nominee of the armed forces, has, after the recent election to the lower house, been able to retain the job, but only with the support of the nominated senate. The three major parties, which among themselves hold nearly half of the seats in the lower house, had in fact boycotted the joint session called to elect the prime minister. This means that he will have to continue to depend heavily on the support of the armed forces, which is not a very happy state of affairs, considering that China's military leaders seem to be itching to offer more than moral support to Thailand in the latter's difficulties with Vietnam. Given the Thai people's demonstrated interest in peaceful economic development and the obvious need of the people of Vietnam for opportunities of peaceful reconstruction of their economy, neighbouring countries, such as India, could only be interested in using their good offices for preventing the region from once again becoming, directly or indirectly, a cockpit of big power militarism.

UNCTAD V—has friends

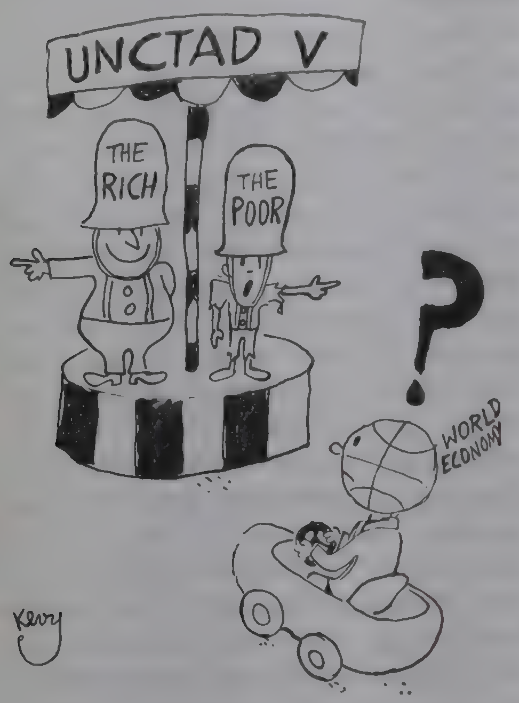
UNCTAD V HAS been dusting up the familiar controversies with their foregone conclusions. The industrial countries have for once been blamed for failing to live up to the UN norms of overseas development assistance. If the accusers had sought to instil a sense of guilt in the defaulting governments, they have not had much satisfaction. On the contrary, the US delegate was aggressively unrepentant. He made it clear that his government chose to judge its performance by its own standards and not by imposed criteria and that it did not feel apologetic about its role in helping the Third World countries to help themselves. The US delegation has also courted some additional unpopularity by indicating that Washington would "cooperate" with the "second window" of the common fund, but not make a financial contribution to it. It could be assumed that the tough US attitude will be shared by West Germany and-now, that Mrs Margaret Thatcher is heading the Conservative government in the UK, Whitehall too could be expected to take what it would probably consider a hard-headed view of Third World issues generally.

The developing countries, however, have been receiving an abundance of verbal comfort from such of its friends, philosophers and guides as Mr Robert McNamara. The president of the World Bank, while speaking for a constructive approach by developing countries to the provisions of the Tokyo Round agreements, agreed that negotiations should be initiated both within and outside the framework of these agreements for a review of exisiting quota restrictions on exports of developing countries and further tariff cuts on those exports. He spoke strongly against protectionism in industrial nations which could harm the developing countries by reducing their opportunity to earn foreign exchange, increasing their unemployment and diminishing the rate of growth of their national incomes. He explained further that such protectionism damaged the economic interests of the developing countries indirectly also by inhibiting them from adopting investment, production and trade policies that would improve the allocation of their resources and their overall development performance. In his view the very threat of future imposition of protectionist measures often discouraged developing countries from adopting trade-oriented policies. The result is that "they settle for inferior trade and development strategies and end by strengthening the vested interests in the societies that benefit most from producing at high cost for highly-protected domestic markets".

tempting option

Mr McNamara, however, warned the developing countries not to surrender to the tempting option to turn inward, take greater refuge in highly protected import-substitution industries, and avoid the struggle for expanding trade. He advised them to concentrate on raising the efficiency of their export capacities, expanding South-South trade and campaigning against the protectionist measures in the industrial nations. His advice to the developing countries was that they could well protect their interests by ultimately becoming signatories to the Tokyo Round agreements, after their present doubts have been resolved and, by participating actively in the implementation and future reviews of the agreements, thereby becoming full partners in future trade negotiations.

In order to benefit from such exercises, the developing countries, he emphasized, would need to carry out structural adjustments favouring their export sectors. This would require both appropriate domestic policies and adequate external help. He indicated that he would favour programme lending by the World Bank "in appropriate cases" as one element in a package of measures of assistance to developing countries to take advantage of "improvements in the world trade environment" resulting from the successful conclusion of the Tokyo Round talks in Geneva.



In the course of an interesting analysis of the impacts on the economies of industrial countries of the emergence of competitive export capacities in developing countries, Mr Emile van Lennep, secretary-general of the OECD, told the Manila conference that there was nothing new or surprising about the rapid emergence of new industrial competitors on the world scene. Except for one or two sectors, where particular products have been affected, the speed of the emergence of these new competitors has not been abnormal.

Actually, technological progress and shifts in supply and demand and competition within the OECD areas have been a far greater source of adjustment pressures than imports from developing countries. Moreover, the net impact on the imports of manufactures of a number of developing countries on OECD employment has been positive. Until 1974, OECD exports of manufactures to the newly industrialising countries were rising faster than imports from them. From 1974 to 1978 exports and imports rose by roughly the same amounts but the net trade balance in manufactures of OECD countries with the newly industrialising developing countries remains substantially positive, as do the net employment effects.

The message, as Mr Lennep said, is clear. If appropriate policies are followed by both sides, substantial mutual benefits will continue to be derived from increasing trade in manufactures in both directions. For the advanced industrial countries these benefits take the form of cheaper goods for consumers, a spur to increased productivity and reduced inflation at home and new and dynamic export markets abroad. For the developing countries, they include higher investment, productivity and real incomes, and the accrual of foreign exchange needed for financing accelerated economic development.

AID: plus and minus

Mr Lennep was rather particular that UNCTAD V should take note of some improvements in the quality of official development assistance and its administration which had been taking place in the recent past. For instance, many donors have now undertaken retroactive terms adjustments that will add to the availability of net resources to poorer developing countries. In recent months members of the Development Assistance Committee of the OECD, together with representatives from developing countries and multilateral donors, have been engaged in examining the lags between their commitments and disbursements of overseas development aid and in seeking ways to reducing such lags. But he conceded at the same time that there had been an unfortunate trend towards a relative decline in official development assistance, which has caused serious problems, especially for the poorer developing countries.

In this context, it may be pointed out that the West German government, for instance, invests in official development aid only 0.27 per cent of the GNP as against the UN target of 0.7 per cent. In contrast, Sweden has just legislated for an official contribution to international development cooperation a total amount of Kr 4.4 billion ($ one billion) in fiscal 1979-80. This will be just over one per cent of Sweden's GNP and, in relative terms, more than that of any other OECD country, with the Netherlands and Norway coming close. Currently Sweden has been spending 0.99 per cent of its GNP on overseas development aid, while the Netherlands is spending 0.85 per cent and Norway 0.82 per cent.

Out of the total development assistance earmarked for 1979-80, Sweden proposes to devote about two-thirds to bilateral programmes and the remaining one-third to multilateral assistance, subject to amounts earmarked for the UNDP, UNICEF, IDA and regional development banks. Sweden belongs to the major contributors to these institutions. The bulk of Sweden's bilaterial assistance is earmarked for long-term development cooperation with 20 countries and practically all of it is in the form of gifts. It is noteworthy that the biggest recipient is Vietnam with Kr 400 million, followed by Tanzania Kr 345 million and India Kr 290 million. Other countries which receive more than Kr 100 million each are Mozambique, Bangladesh and Zambia closely followed by Kenya and Sri Lanka.

Sweden : growth, gently

Sweden's development aid record is particularly bright against the background of the ups and downs in that country's economy in recent years. The gross national product is predicted to grow by just over five per cent in 1979. This is a slight downward adjustment from the figure of 5.4 per cent forecast in early January, but is still considerably in excess of the growth rate of 2.8 per cent in 1978. There are now signs of steady improvement. Consumption is growing and so also investment after several years of decline. Price increases are expected to be kept a a reasonable level despite the increase in oil prices. Although imports are rising rapidly, foreign trade may continue to be in surplus, since exports are likely to grow at least as much as last year. Higher oil prices and a growing deficit on services and transfers, however, will result in a large deficit in the balance of current payments. Meanwhlle Swedish import prices have shown an increase of 11.6 per cent over the 12 months ended March, 1979 and export prices an increase of 9.6 per cent.

moderate recovery

The comparatively low rate of inflation is expected to continue, with consumer prices rising by six per cent over the year. The improvement in employment which began in the autumn of 1978 should go on. Meanwhile, the 1978 statistics for Sweden's 200 largest companies show that their combined sales rose by 13 per cent to Kr 436 billion ($ 99 billion). Pre-tax profits were up from Kr 300 million to Kr 2.9 billion. However, recovery in 1978 was only moderate, since 1977 had been the poorest year for Swedish business in over 40 years. One out of four companies still continued to sustain losses, but 1978 saw the return on productively employed capital rising from 3.8 per cent to 4.3 per cent. Solvency improved for the first time in the 1970s, from 22.8 per cent to 23.1 per cent.

The investment of these companies declined for the second year running, by 15 per cent after a drop of five per cent in 1977. Exports showed a healthy increase by 15 per cent, which was above the annual average of 10 per cent for the past five years. Company forecasts indicate a continuing improvement in performance in the current year. Considering that the forecast for the entire OECD area is that the GNP growth rate will average 3.5 per cent in 1979, Sweden's economic prospects must be rated bright rather than otherwise. Over a longer period, the forecast is that the GNP growth will be sustained at four per cent in 1980, but drop to three per cent in 1981. Industrial production may increase by five per cent and exports by about seven per cent each year with a somewhat slower rise in volume for imports. Private consumption is expected to grow by two per cent in both 1980 and 1981.

Tale of two isles

TALKING OF growth rates, Taiwan, whatever its political future may be, seems to find its economic present quite cheerful. Its real economic growth in the first three months of this year is estimated at as much as 10.7 per cent as two-way trade and investments remain strong. This growth, which is expected to boost the inflation-adjusted GNP to US$ three billion (at 1971 prices) in the present quarter, compares with the year-to-year growth of 10.95 per cent in the final quarter of last year and 18 per cent in the first quarter. The relatively rapid growth in the January-March period of this year has resulted mainly from continuously expanding merchandise exports, which are estimated to reach US$ 3.4 billion, or by 43.2 per cent over the corresponding period of 1978. Import prices in the quarter went up by 16.1 per cent and export prices by 11.28 per cent, both the largest increases in recent years. Thanks to the higher costs of imports, wholesale prices in the quarter climbed up by 8.8 per cent and consumer prices by 6.12 per cent. The rise in the GNP deflator is 7.07 per cent.

The national income rose by 19.74 per cent in 1978, while per capita national income improved to US$ 1,304. Although there was a fractional drop in agricultural output, which was 0.86 per cent in 1978, industrial production surged by 17.24 per cent, led by an increase of 18.33 per cent in manufacturing production. As a result industrial production as a proportion of the total output improved to 40.25 per cent, while the proportion of the agricultural output dropped to 12.04 per cent. About the quarter of the work-force is employed in the agricultural sector, some 40 per cent in the industrial sector and rest in the services sector. The population of Taiwan is 17 million.

Across the Pacific, in that other island with a Chinese connection, Hongkong, the economic pundits are rather subdued. It is officially conceded that the Hongkong economy is maturing much more slowly this year than was predicted. It may still be possible to achieve the targeted 10 per cent growth rate, but the growth will be essentially "internally led". This has come to be a weakness in an economy the basic resources of which are and must be export-oriented. Textile protectionism in European markets has created serious problems. There is also the additional pressure of competition from lower cost producers such as South Korea and Taiwan. Meanwhile a spurt in commercial and residential constrution industry has been diverting resources away from the export sector.

About 35 per cent of Hongkong's total domestic exports goes to the United States and since the US import market is income-elastic rather than price-elastic, Hongkong's export prospects will be

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Eastern Economist 30 Years Ago

MAY 20, 1949

The suspension of the open general licence, pending an austerity review of its scope and contents, need cause no surprise. The Finance Minister, in one of his speeches at Bombay, gave a broad hint of a reversal of import policy. And, even otherwise, the returns of the sterling transactions of the Reserve Bank of India, revealing the rapid rate at which free sterling is being expended, have caused us to expect that the Commerce Ministry would, sooner or later, have to come down upon sterling imports with a heavy hand. In all the ten months between June 1948 and March 1949, sales of sterling were in excess of purchases and the aggregate of net sales over the period was £60.9 millions (Rs. 81.3 crores). Since this gives an annual rate of withdrawal of £72 millions, it has been clear for some time that, in the first year of the current sterling balances agreement, we are likely to use up more or less completely the balance in the No. 1 Account as on the 1st July, 1948, of about £80 million. As it happens, we have not only exhausted this amount, but have anticipated to some extent the release of £40 million scheduled for the second year of the triennium.

determined primarily by movements in the level of business activity in the United States. Nevertheless Hongkong is becoming a high-wage economy by Asian standards and it is under a strong compulsion to step up continuously the capital/labour ratio. The capital utilization factor is also very high. Hongkong's manufacturing facilitites, equipped with automatic machinery, will therefore have to work a three-shift system in order to be able to pay their way. A factor which is helping to maintain efficiency at high level is the practice of manufacturers amortising their equipment over the economic life of the assets and not the physical life. Hongkong's economic relationship with the People's Republic of China has not shown signs of any structural change in the wake of the latter so radically transforming its political and commercial attitudes towards Japan, the United States and western Europe. The Chinese still seek to maximise their Hongkong dollar earnings and switch those earnings across the exchanges at the most favourable rates of exchange possible. Evidently Hongkong's position as a world trader is still regarded as an asset in Peking. To what extent this will weigh with the People's Republic of China in that still distant year of 1997, when the lease of the New Territories is due to expire and Paking could legally demand their return is a question which will be settled, obviously, in terms of the grand design which the Chinese leadership may be putting together for its country's role in world politics in the new century.

Eastern Economist

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Mexico: oil brings self-confidence

MEXICO, WITH proven oil reserves of 41 billion barrels, could go beyond its estimated 200 billion barrels potential with the recent discovery of new fields. Pemex, the state oil corporation, expected to obtain an accurate assessment of Mexico's oil reserves in four years, Mr Jesus Chayarria, assistant exploration manager revealed recently. Mr Jorge Diaz Serrano, Pemex directer, pointed out that one of the most promising new finds was the Campeche oilfield, in the Gulf of Mexico. scheduled to start production shortly.

Reserves have been estimated at about five billion barrels and by the end of 1979 the Mexico oil industry will produce 200,000 barrels a day. Prospective drillings have indicated the existence of a major deposit, with more than 1.000 metres of oil-impregnated rock. Generally 100 metres is considered a good figure, as in the North Sea. The Chicontepee field, in Central Tempico-Miantla State was one of the biggest deposits in the Western Hemisphere, with estimated reserves of 106 billion barrels and a projected commercial output of 17.6 billion.

Mexico's oil exports are officially predicted to rise by 102 per cent this year after a 77 per cent increase in 1978. In view of the new hope of funds from oil, Mexico is negotiating the restructuring of a large part of its international commercial debt. Discussions with international banks involve transactions totalling well over $3 billion (about £1.5 bilion). The main aim is to reduce significantly the cost of the country's foreign debt and to consolidate much of its short term borrowings from overseas. Mexico, which raised a $1.2 billion credit in the Eurocurrency market late in 1977, has desided to repay the loan well ahead of schedule.

Formal notice of prepayment of $250 million has just been given to the participating banks in the US, Europe and elsewhere. The loan was contracted when Mexico was recovering from its economic crisis of 1976. The seven-year facility carried a relatively high margin over Eurodollar inter-bank rates. This represanted an effective interest rate of about 13 per cent based on prevailing Eurocurrency interest levels. The other legacy of the 1976 crisis was a rapid build-up in short-term debt. Major banks, including Britain's Lloyds Bank International, were discussing a very large short-term revolving facility of some $1.5 billion to be raised shortly in the Euromarkets. This should allow Mexico to consolidate and rationalise much of its shorter-term debts.

added flexibility

Mexico's ability to rationalise and rearrange its extensive foreign debt has implications far beyond the international capital markets. Bankers suggest, for instance, that such restructuring gives Mexico added flexibility in deciding its future oil marketing and exporting strategies.

The US president Jimmy Carter, who visited Mexico in February this year, was told by president Jose Lopez Portillo of Mexico that the country was now quite capable of solving its problems. He discussed the mutual issues such as supplies of natural gas and oil and Mexican migrant workers, quite confidently. The utterances of the Mexican president included expression such as "treating others as we ourselves would like to be treated."

Soon after the visit of president Carter, president Giscard d'Estaing of France paid a four-day visit, the second to Mexico by a French head of state after that of president de Gaulle's in 1964. The French interest obviously is in Mexican oil, but it may also seek to sell goods and services to Mexico in exchange for the petro-francs. Mexico too in exchange for petro-francs has been anxious to diversify its markets and become less independent on the US earning which takes 90 per cent of Mexican oil.

NOTICE

It is hereby notified for the information of the public that Straw Products Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) read with clause (d) of sub-section (3) of Section 22 of the Monopolies & Restrictive Trade Practices Act, 1969 for approval for the establishment of a new undertaking for the production, supply, distribution or control of Portland Cement with proposed installed capacity and estimated annual production of 1.2 million Metric Tonnes instead of 4,18,000 Metric Tonnes per year already approved by the Central Government. Other particulars of the proposed new undertaking for the increased capacity are as under:-

(i)	**Name of the proposed undertaking:**	The proposed undertaking will be set up by a new Company to be incorporated shortly instead of within the applicant Company as proposed earlier.
(ii)	**Name (s) of person (s) of authority/authorities proposing to establish the new undertaking, where it is a body corporate, furnish details of its management structure together with those of the proposed undertaking:**	The new Company proposing to establish the new undertaking has not yet been incorporated. However, the project is promoted by Straw Products Limited, the applicant company, which is managed by a Managing Director subject to the superintendence, control and direction of the Board of Directors.
(iii)	**Capital structure of the applicant person or authority and of the proposed undertaking:**	Capital Structure of the applicant Company: **Authorised Capital**: Rs 10,00,00,000 **Issued, Subscribed and Paid-up**: Rs 5,23,25,260 Capital Structure of the proposed new Company is under finalisation.
(iv)	**Proposed location of the new undertaking:**	Clinkering plant and part of Cement grinding plant at Banas in Sirohi District a backward area in Rajasthan and balance Cement grinding plant at Bhatinda in Punjab.
(v)	**Brief outline of the cost of project, the scheme and source of finance:**	The estimated cost of the project is Rs 60 crores which is proposed to be met by raising Share Capital, Loans from Financial Institutions/Banks and other sources.

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

Regd. Office:
Jaykaypur,
Distt. Koraput,
(Orissa).

for STRAW PRODUCTS LIMITED,
Sitab Chand Jain,
Secretary.

Dated: 9th May 1979

Cover feature

And where is it leading us?

It is a profound and necessary truth that the deepest things in science are not found because they are useful; they are found because it was found possible to find them.
—J. Robert Oppenheimer

The unleashed power of the atom has changed everything save our modes of thinking, and we thus drift towards catastrophies—*Albert Einstein*

Who can say, at the present stage of the immaturity of thinking among governments around the world on the issues of nuclear non-proliferation and nuclear disarmament, that Oppenheimer had been cynical, or Einstein had underrated the capacity of the human mind to comprehend the philosophical as different from the merely physical?

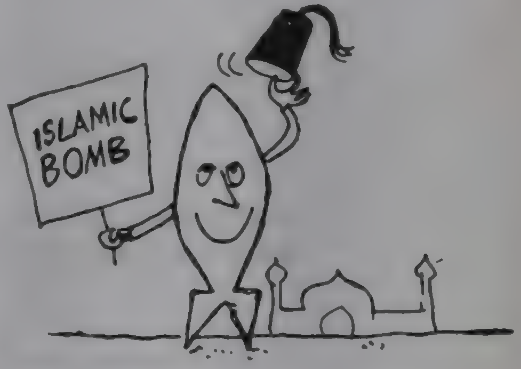
In a specially commissioned article on these pages, Mr W.S. Titus, a special correspondent of *The Hindustan Times* and a well-known science writer, analyses current arguments in the nuclear debate and tries to explore where they could lead us, whether in the context of the intellectual inability of the nuclear powers to reject the deterrence theory, the emotional incapacity of the non-nuclear countries to resist the false promises of make-your-own-bomb kits, or the urgent interest the peoples of the world have in the disciplined development of atomic energy for peaceful applications.

Now THAT an indubitable diagnosis that the nuclear bug has bitten Pakistan has been established, the haunting question is whether the dangerous symptom would be neglected until it develops into a deadly syndrome of proliferation. This is no time for diplomatic mincing of words of caution, but a moment of truth for the world to cry halt to the perilous misadventure of the fragile government in Islamabad and its underwriters in the Arab world. Such a cry alone may not drive sense into the heads of the obsessed political and military power-mongers in Pakistan; but it is bound to bring about a global action to wean that country from playing with the lethal technology for purposes of blackmail.

If Pakistan goes ahead with its project of setting up a gas centrifuge plant for enriching uranium to weapon grade, it is bound to rig up a bomb within three years. This capability need not be doubted because Pakistan has clandestinely shopped for highly sophisticated equipment that goes into the making of a centrifuge. Western intelligence sources have disclosed that Libya, Saudi Arabia and Kuwait have directly and indirectly underwritten the expenditure for an "Islamic bomb". It is now well established that Islamabad has been secretly planning to make a nuclear bomb since 1974. Originally its idea was to make a plutonium bomb. It was for this purpose that a contract for setting up a fuel reprocessing plant was struck with France. When France withdrew from its obligations under the United States pressure, Pakistan scientists drew up the plan for a centrifuge, and components for the same were bought from a number of European countries under the pretence that those were needed for a textile plant.

The Pakistan adventure has brought to the fore several issues that plague the nuclear scene, first and foremost of these being the danger of proliferation of nuclear weapons. Second, it affects the transfer of nuclear technology for peaceful purposes. This has come, at a time when the world, in general, and several developing countries in particular, are faced with an escalating energy crisis. Hence, with these aspects in mind, the world community should speedily move towards a globally acceptable nuclear non-proliferation treaty and internationally monitored full-scope safeguards.

The proposed "Islamic bomb" obviously has a two-directional offensive purpose. From Pakistan's point of view, it is primarily meant to be a weapon of blackmail against India. From the point of view of some Arab countries, it could be a Damocles' sword over Israel. Naturally, then, Israel will go full steam ahead with its own nuclear weapon project. Even in India political and defence compulsions cannot be indefinitely resisted. Surely, sooner or later, countries threatened by an Islamic or Islamabad nuclear weapon capability will be goaded in the direction of defensive or deterrent nuclear weapon



systems. This indeed would mean a disastrous proliferation syndrome in a region which is most prone to periodic wars and political instability.

It cannot be, and need not be, denied that India, after Pokharan, has reached the threshold of weapon capability. No doubt the present government of India has stated in no uncertain terms that it will not make a bomb. But what guarantee is there that a future Indian government would wave the olive branch if ever Pakistan flaunts its "Islamic bomb"?

A CIA report, declassified in 1974, said: "We believe Israel has already produced nuclear weapons." If this report is credible, and in the light of Israel having a plutonium plant and a laser based uranium enrichment facility, that country, by now, must have built up a sizable nuclear weapon stockpile. Would it be farfetched to think that, when the "Islamic bomb" arrives on the Arab scene, both the sides, possessed with traditional hatred and haunting mutual fear, would itch for a pre-emptive strike? That, after all, is a hunting ground of the hawks!

After the "Diwali cracker"—as Mr. Desai taunted the Indian nuclear scientists about the Pokharan implosion—, the "Islamic bomb" and Zionist "atomic Dead Sea apple", the blasted thing could be an "Apartheid bomb". South Africa has the fissionable material, the lethal technology and a rabid will to produce its "White African mushroom cloud". Then there is Argentina, with its material and technological manpower resources to boast of a "banana bomb" whenever it decides to make one. If such proliferation takes place, would it be possible for the super powers to impose sanctions against them? After all they have economic and other ties with them. Moreover, the abovementioned nations and regions are prone to terrorist operations. If a nuclear device falls in the hands of some terrorist group, it could hold any city in the world to ransom with any demand it may choose to make. That could be the turning point towards the everlasting sorrow of mankind.

Homi J. Bhabha with Admiral Strauss

If nuclear proliferation is allowed to escalate as above, even the signatories to the present Non-Proliferation Treaty (NPT) would be compelled to withdraw from their obligations. Then, Japan and Germany, with their far-reaching technological capabilities, might decide to join the nuclear super club. Not alone that, the International Atomic Energy Agency experts say that in the event of NPT collapse, nearly 40 countries could make their bombs by the turn of the century. Will it be, then, possible for mankind to turn away from its total destruction?

Now that the non-proliferation issue has surfaced, it is the urgent responsibility of all nations to come to an agreement in evolving effective international safeguard systems. As the present NPT is an unequal document, it ought to be redrafted to make it equitable to all signatories.

While it is naive on the part of nations to ask the nuclear weapon club countries to right away start dismantling their stockpiles, it is arrogant on the part of the latter to expect the bomb have-nots to desist from testing devices while they merrily go on with their underground blasts. The first step in the right direction has to be an amendment to the Nuclear Test Ban Treaty—which now prohibits only blasts in ocean, atmosphere and space—to include underground tests.

The conclusion of the Strategic Arms Limitation Talks (SALT-II) between the United States and the Soviet Union has created a climate for amending both the NPT and the Test Ban Treaty. The SALT-II may be only a small step in view of the super balance of terror. But it must be remembered by one and all that it is the only realistic way to go about dismantling the nuclear armament stockpiles. There might be several tediously small steps to cover the distance and the whole process may take decades before arriving at a nuclear-arms-free world. However, having set the strategic arms limitation process moving, the super powers have gained an element of moral authority to take certain leads in the international nuclear safeguard affair.

Matters like nuclear safeguards and technology transfer could not be left entirely to creatures of politics who manifestly express incomplete understanding of the scientific and technical principles involved. Nevertheless, without harnessing the political will of nations, no tangible international agreements and their ratification could be achieved.

Since 1974, whenever a country — United States, Canada, France, etc. —broke contractual obligations of supplying nuclear material for India's reactors, Pokharan was mentioned as a justification. The "politically motivated Pokharan blast", as identified by the present government, indeed created a credibility gap in India's otherwise unblemished record of developing atomic energy for peaceful purposes. There is no doubt that while the Pokharan device did not result in an applicable technology—at least in the present circumstances in peaceful areas of development—it has greatly hampered the time-bound growth of the nuclear power facilities. Tarapur's fuel supply uncertainties, heavy water supply halts that have delayed commissioning of Rajasthan II and Kalpakkam I and II reactors, non-supply of critical components and material for the reactors, and the stoppage of French supply of enriched uranium for the Fast Breeder Test Reactor are consequent to the Pokharan blast. Indeed India's nuclear power programme has been put out of gear.

When an uneasy world points its finger at Pakistan's nuclear misadventure, Islamabad points its at Pokharan. This has created

Nuclear powe

A study of supply and demand for the various components of the nuclear fuel cycle has to begin with an estimate of the growth of nuclear power in the period ahead. Accordingly, the following projections were made in an article in "The OECD Observer" (May 1978):

Growth of World Nuclear Power

Installed Capacity GWe

	1985	*1990*	*1995*	*2000*
Present trend growth	*278*	*504*	*750*	*1,000*
High growth	*368*	*700*	*1,220*	*1,890*

The "present trend growth" given above assumes that the current patterns of energy consumption and supply will be maintained, as well as the current timetables for building new reactors. It also reflects the feeling in several countries that they can wait another decade or two before making a major commitment to nuclear power.

The high growth assumption reflects the objectives of ambitious nuclear power programmes launc ed in response to the oil embarg rising costs and the possibility of shortage of conventional fuels. A though several of these programm are running behind schedule, t projections would still be applicab if the consumption of energy aga began to increase more rapidly if the supply of conventional fue were subjected to new restrictions

In making these estimates it h been assumed that public conce over nuclear energy and the grow sensitivity of governments towar the issue of nuclear weapons pro feration will be accommodated wit out significant further impact o the trend . Should this prove n to be the case, the estimates wou probably have to be revised dow wards, particularly beyond 1985.

The incentives necessary to assu an adequate uranium supply a largely economic, but it is increa ingly evident that political facto

Uranium : reserves and resources

Uranium reserves (defined as reasonably assured resources exploitable at a cost of less than $ 80 a kilogram of uranium or $ 30 a pound of uranium oxide) total 1.65 million tonnes. This is 482,000 tonnes higher than the figure calculated in 1975 when a figure of $ 15 a pound of uranium oxide was used to define reserves. The increase is due in large part to this change of definition. Present reserves correspond to about twenty years of foreseen requirements—that is until 1998—but for economic, technical and political reasons it is unlikely that all of these reserves will be exploited, and additional reserves may be necessary to meet the needs of this period.

Resources in the reasonably assured category, exploitable at costs up to $ 130 a kilogram amount to 2.2 million tonnes of uranium and estimated additional resources in the same cost category amount to an additional 2.1 million tonnes of uranium. Despite the adoption of a higher ($ 130 kilograms of uranium) limiting cost level, these total resource figures represent only a small increase over the total resources exploitable at up to $ 80 a kilogram estimated by the NEA/IAEA in 1975.

World Uranium Requirements until Year 2025

Annual Requirements in 2025 (thousand tonnes of uranium) Nuclear Power Growth			Cumulative 1977-2025 (million tonnes of uranium) Nuclear Power Growth	
Present trend	High growth	Reactor strategies in the long term	Present trend	High growth
350	990	Light water reactors (LWR), once-through fuelling... ...	9.0	20
210	640	Light water reactors, spent fuel recycled	5 8	13
290	840	Low-enrichment high temperature reactors (HTR)	7.6	17
240	660	Highly-enriched high temperature reactors (HTR)*	7.3	16
150	540	Heavy water reactor (HWR) on thorium cycle*	6.4	16
95	40	Fast breeder reactor (FBR), 12 year doubling time ...	5.8	7.1
95	260	Fast breeder reactor (FBR), 30 years doubling time... ...	5.8	9.3

*Additional thorium resources required

overview

n have a considerable impact on ese economic aspects. For example, litical constraints that limit the eedom to develop, produce and port uranium can contribute to arket instability and have long-rm. effects by casting uncertainty n the future of nuclear power.

Although there is a favourable gnosis for further uranium dis-very, the need for nuclear power to erve as a major, long term source f energy also implies a need for a ctor strategy that is viable by rtue of its efficient utilisation of uclear fuels. This signifies the arliest possible phasing out of to-ay's light-water reactors in favour f advanced reactor systems. Ad-anced converters (including those sing thorium) can do much to con-erve uranium as compared to pre-ent light-water reactors, but they oo lead to depletion of foreseeable esources. Only the fast breeder can lace an upper limit upon the amounts of uranium that may eventually be required.

In the view of the NEA Working Party on Uranium Demand, these facts argue strongly not only for the continued development and commercial demonstration of the breeder, but also for the supporting services required to ensure its success. Experience must be gained now in the applicable fuel fabrication, reprocessing and recycling techniques to ensure the rapid, self-sustaining growth of nuclear power in the long term. The importance to this objective of a short doubling time makes it essential that progress in these techniques keep pace with the development of the breeder reactor itself.

It must be noted, however, that the rate of development would be moderated by identification of new uranium resources and that investigation of proliferation-resistant fuel cycles could lead to results that would allow a more unified international effort on advanced converter and breeder reactors.

Future demands for fuel-cycle services will pose two major challenges to the nuclear power industry : to provide adequate capacity at levels several times those of today and to adapt to new technologies required by advanced converter and breeder reactor systems. It is essential that fuel-cycle services keep pace with demand. But in doing so, the industry must cope with problems similar to those faced by uranium suppliers – uncertainties not only about public acceptance of nuclear power but also about regulatory criteria and the attitudes of governments. International safeguards and non-proliferation also pose problems and have led to the restriction of uranium exports which could affect enrichment, fuel fabrication (where plutonium is involved) and reprocessing. As in the case of uranium, it is undesirable for each country to attempt to secure its own supply position since a regional approach would be more efficient. It is in the interest of all countries sharing a common concern about the problem of non-proliferation to ensure all fuel-cycle services through international co-operation and controls.

If nuclear energy is to play a major role in meeting future energy needs, the decision to develop nuclear power stations must be closely linked to the provision of a complex of industrial services which form the neclear fuel cycle; exploration and extraction of uranium ore, enrichment of uranium, fabrication of nuclear fuel elements to feed the power stations.

After discharge from the reactor, the spent fuel elements must be stored and reprocessed to separate the waste from the unused uranium and from the plutonium which has been formed. Finally the wastes must be stored and disposed of.

certain diplomatic inhibitions in Delhi. That need not be, because India has not even thought of making a bomb and the present government has expressed its resolve not to make one. Therefore, there need not be any feeling of guilt in any quarters in Delhi about Pokharan. On the other hand, possessing the capability, and yet not going in for making weapons gives India the moral authority to press for an equitable NPT and total Test Ban Treaty. After all India has not broken any treaty obligations, as it is not a signatory to NPT, and underground tests are not banned so far.

Two statements made by Jawaharlal Nehru stand unviolated as edicts of India's resolve of using atomic energy only for peaceful purposes : (1) "No man can prophesy the future. But I should like to say on behalf of my government —and I think I can say with some assurance on behalf of any future government of India—that whatever might happen, whatever the circumstances, we shall never use this atomic energy for evil purposes. There is no condition attached to this assurance, because once a condition is attached, the value of such an assurance does not go very far." (Trombay, January 20, 1957).

(2) "We have declared quite clearly that we are not interested in making atom bombs, even if we have the capacity do so, and that in no event will we use atomic energy for destructive purposes. I am quite sure that when I say this I represent every member of this House. I hope that will be the policy of all future government." (Lok Sabha, July 24, 1957).

As long as India does not break this basic tenet, Pokharan deserves only to be confined to the pages of history as a misconceived technological venture. If some Indian policy-makers and nuclear scientists got enthusiastic about "peaceful explosions", the blame squarely rests with both the Soviet Union and the United States. I, as a science writer, remember being flooded with literature about the applicability of nuclear blasts in mining, underground reservoir building, blasting mountains to divert rivers, etc. What happened to their romantic nuclear ideas of "ploughshare"? Looking back, one wonders whether the super-scientists of super powers were talking about "beating bombs into ploughshares," or "making bombs out of plougshares".

For more than 20 years, the nuclear power technology has been constantly updated and upgraded, particularly in the developed countries. The earlier forecasts on the depletion of oil encouraged the super energy-consuming nations to draw up long-range nuclear power programmes. In the United States alone, there are about 60 power reactors in operation, another 60 under construction and more than 100 on order. Some estimates indicate that more than 600 generators will be operating in the year 2000. The energy output share of the nuclear reactors is estimated to cross 40 per cent by the turn of the century from the present level of 10 per cent. Despite jolts from economic recession which curbs investment, inflated cost of equipment, and challenges from environmentalists, nuclear power continues to form the largest slab in the energy growth profile of the United States. For that matter, it is visualised as the provider of the vital chunk of energy for European and North American nations to prevent the development of a power-short economy which could create serious socio-political jolts. Even though the non-conventional sources of energy, like solar and wind power, geothermal and tidal electricity, have sparked off enormous enthusiasm among environmentalists, their limitations may stand in the way of their playing any domi-

Positive but uneven

Although the record for international cooperation over the last 20 years is clearly a positive one, the uneven development of the nuclear industry over this period reflects the difficulties encountered.

Non-proliferation, the key issue today, has been recognised as a problem ever since the time nuclear energy was first put to peaceful uses after World War II and for a long while constituted an obstacle to the dissemination of nuclear science and technology. Real international cooperation began only in 1955 with the United Nations Conference in Geneva on the peaceful uses of atomic energy.

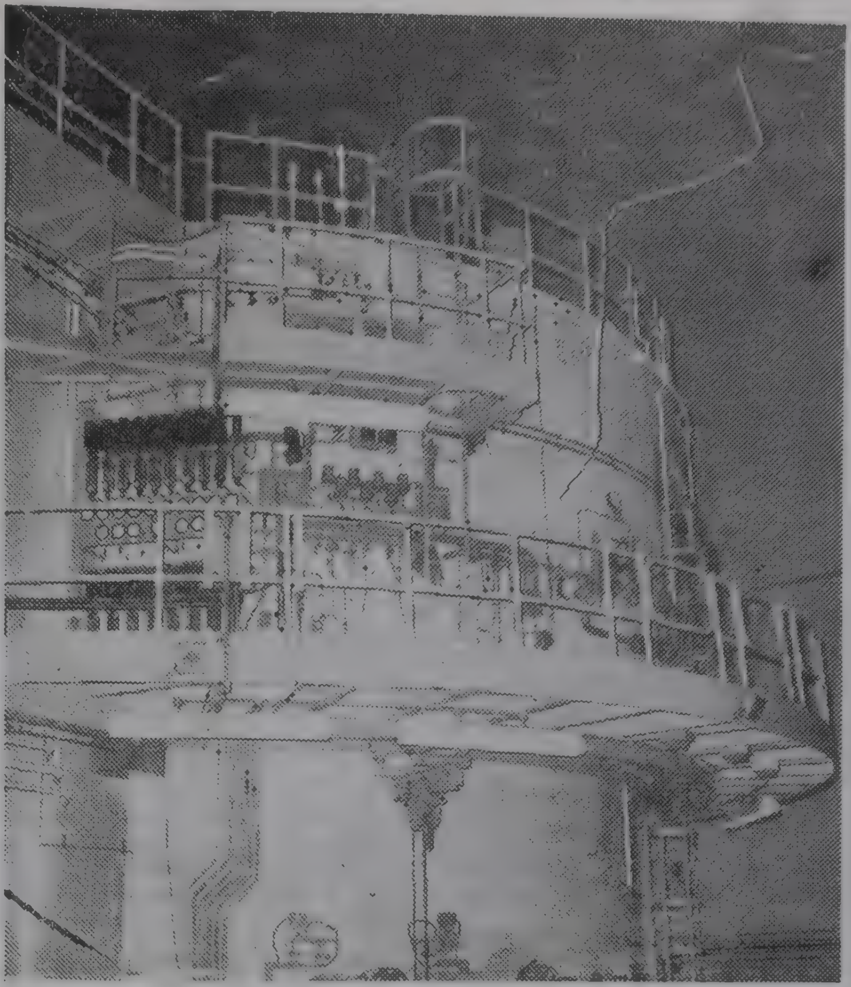
The importance of sharing the benefits to be derived from this new form of energy—which, at that time, seemed almost unlimited—as well as the costs involved, was recognized by the international community, and it was in a spirit of enthusiasm and confidence in the blessings of science and technology that the various international organisations were set up: first the International Atomic Energy Agency (IAEA) under the aegis of the United Nations in 1957, Euratom within the EEC the same year, and the European Nuclear Energy Agency of the OEEC (The Organisation for European Economic Cooperation, predecessor of the OECD) early in 1958. The OECD Nuclear Energy Agency took the latter's place in 1972 when non-European OECD countries joined the Agency.

Inter-governmental cooperation has been more successful when it has had a scientific or technical aim, free of any commercial implications. Nevertheless three joint undertakings were launched by the NEA on a multinational basis (the Halden boiling heavy water reactor in Norway, the Dragon high-temperature reactor at Winfrith in the United Kingdom, and the Eurochemic irradiated fuel reprocessing plant at Mol in Belgium) a novel and direct contribution to the development of industrial processes which clearly could have commercial repercussions. A point worth noting is that, when Eurochemic was set up in 1957, the joint development of plutonium extraction technology—today regarded as the most delicate matter in the proliferation context—did not encounter the slightest political difficulty, with the result that the knowledge about the technology necessary for building reprocessing plants—on a small scale it is true—is now fairly widespread. Conversely, uranium enrichment processes were kept secret, and this was probably one of the reasons for the failure to follow up on the project for a European isotope separation plant, one of the possible joint undertakings considered by the NEA at the time. It was not until about 10 years later that industrial-scale enrichment plants were built in Europe on a multilateral and commercial basis.

The first phase in the development of nuclear power—up to the early 1970s—was marked by the free dissemination of nuclear science and technology (except in their military applications), the launching of research programmes in many countries, the availability on the world market of natural and enriched uranium from the United States and a growing number of trade agreements first on research reactors and later for nuclear power plants. With this growth in the nuclear industry, the nature of international collaboration changed to reflect not only growing commercial interests but also the high costs of R and D as well as the technical complexity and cost of large-scale nuclear installations. International control, with the IAEA system of safeguards as one of its fundamental tools, was also introduced during this period, with the object of ensuring that atomic energy was being used for peaceful purposes. The climate prevailing at the time also made it possible to sign a Non-Proliferation Treaty (NPT) in 1968. Under its terms a large number of countries signified their willingness to do without nuclear weapons in return for a guarantee that they could have free access to peaceful applications of nuclear energy.

Courtesy : *The OECD Observer*

nant role in the near future energy scenarios.



Cirus reactor, Trombay

One reason which has inhibited nuclear power from leap-frogging on the energy graph of the western developed nations is the public outcry against the fast-breeder reactors which produce about 20 per cent more fuel than what they consume. While nuclear power enthusiasts argue that breeder reactors alone can provide a semi-infinite source of power, the environmentalists point out that liquid sodium, which is used in them as coolant, a devilishly tricky element, which burns on contact with air, and an accidental exposure of the same could cause serious explosions resulting in large-scale radio-active contamination of the environment. Competent nuclear technologists, on the other hand, assure us that the breeders by no means are more unsafe than the present day generators. Nevertheless, the recent accidental leak of radiation at the Three Mile Island nuclear plant (not breeder) near Harrisburg, Pennsylvania, and several other minor reactor mishaps have set off a chain reaction of public protests against building of nuclear reactors of any type in the vicinity of populated areas. This would mean the Nuclear Regulatory Commission pushing the location of atomic power plants farther and farther away from human habitats, and demanding stricter and stricter safeguard measures, all of which will hike the generation cost of electricity. In spite of all these, there appears to be no escape for energy-hungry nations from setting up more and more nuclear generators.

Another issue which plagues the nuclear power programmes is radio-active waste disposal. Environmental scientists are constantly warning that the accumulation of nuclear effluents would cause irreparable damage to the human eco-system eventually. Then, there are concerted soundings of warnings about potential dangers of recycled fissionable material being stolen.

The key element in the stalemate of transferring nuclear technology from developed nations to developing nations is the fear of proliferation of atomic weapons. If this problem is not sorted out with urgency, the developing countries will be left far behind in introducing nuclear power programmes. It is becoming increasingly evident that, barring a very few developed nations, others are interdependent among themselves and are also dependent on the nuclear powers for technologies and fuel. Unless international safeguard systems are evolved soon, some of the nuclear have-not nations, or groups of them, might be driven to developing their own technologies. The blueprint of an "Islamic bomb," or "Islamic centrifuge" is a symptom of such a development. It must be remembered that the oil-rich nations have got enormous wealth and they know for certain that money will make even the "nuclear mare" go.

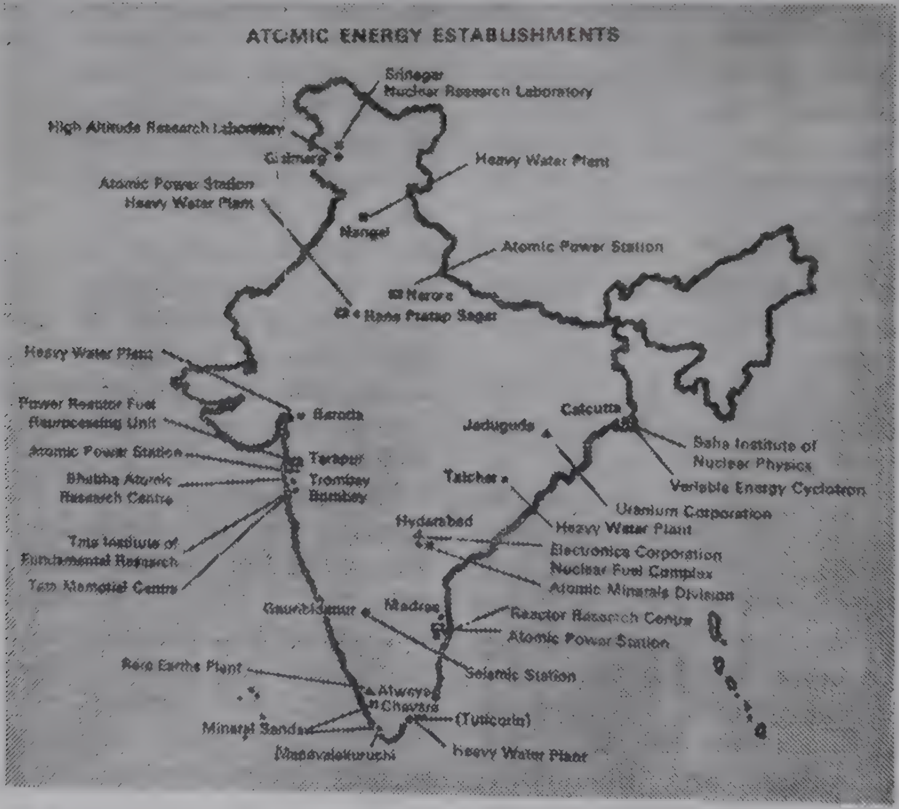
The International Atomic Energy Agency should be involved in the setting up of all future fuel reprocessing plants and inspection of fuel recycles. The agency could also play a major role in establishing inspection systems of non-proliferation which would be universally acceptable from the political point of view. If the nuclear countries do not throw a spanner in the agency's works, it could set up regional reprocessing and enrichment plants to supply fuel to the licensed power reactors of the developing world under safeguard arrangements. All these would mean financially and technologically strengthening the IAEA to make it effective not only as an agency of know-how transfer and a fuel supplier, but also as safeguard implementer.

Pokharan after the test. Inset : Dr R. Ramanna

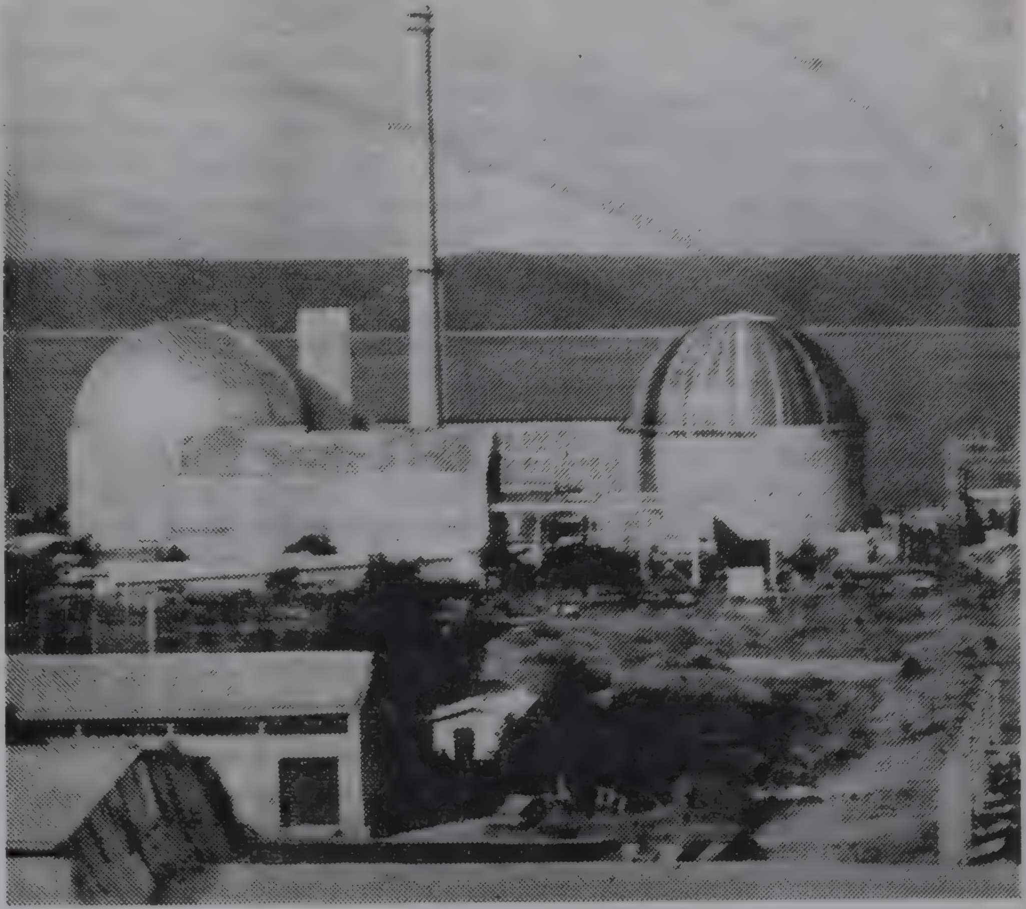
Fuel cycle management and safeguards form only limited roles in nuclear energy development even though they pose intricate problems. Individual governments will have to take all decisions—political, strategies of industrial backing for nuclear energy development and funding. Governments must exercise strict surveillance over environmental control and long-term management of radioactive wastes. National governments cannot afford to allow emotionalism at political levels to blur the kind of scientific objectivity needed in harnessing nuclear energy for peaceful purposes, for it involves one of the most complex and lethal technologies of modern times. A minor slip here and there, or any slackening in the highest standards of hardware and their maintenance could result in major disasters whose effects would remain for centuries because of the very nature of the radio-active material.

It should not be forgotten that even the so-called advanced reactors of today are relatively primitive compared to those on the drawing boards. As the present day generators and their supporting systems age, more and more reports of their health condition would trickle out. That could be at a time when the energy compulsions drive nations to go in for large-scale applications of nuclear technology for power generation and greater environmentalist pressures would be mounting on nuclear technology on a global scale. It is, however, unthinkable that international cooperation would be forthcoming if an effective non-proliferation system is not developed and an equitably conceived safeguard treaty is not ratified by all nations of the world. The sooner the societies of the world realise that development and use of nuclear technologies in isolated pockets—big or small—are vested with potential for grave consequences, the faster a climate for international cooperation for non-proliferation, safeguards and environmental surveillance would emerge.

In projecting human experience in the application of technologies into the future no one could be cocksure about how events would obtain then, or when nature would unleash its backlash. Here it would be worthwhile to remember what mathematician-philosopher Whitehead said about the limitations of statistical projections : "There is



a curious misconception that somehow the mathematical mysteries of statistics help us to evade the proper limitations of the observed past. But statistics tell you nothing about the future unless you make the assumption of statistical form. . . . Mathematics can tell you the consequences of your beliefs. For example, if your apple is composed of a finite number of atoms, mathematics will tell you that the number is odd or even. But you must not ask mathematics to provide with the apple, the atoms, and the finiteness of their number. There is no valid inference from mere possibility to matter of fact, in other words, from mere mathematics to concrete nature."



Rajasthan atomic power station

India has the unique distinction among the developing countries of having built up vast infrastructural facilities for nuclear research and development and the application of this frontier science to generate electrical energy and to utilise radio-isotopes in industry, medicine and agriculture. India has also demonstrated that while it has the capability to develop atomic explosives, its political will is over-riding in restraining itself from being carried away by emotional compulsions of developing atomic weapon systems of sorts.

The architects of India's nuclear programme had been men of vision and statesmanship, like Homi Bhabha and Jawaharlal Nehru. The builders were the innumerable scientists of outstanding talent and dedication. It is a tribute indeed to India's far-sighted scientists and philosophers that this country has taken the path of applying nuclear energy only for peaceful purposes, while the major developed nations, such as the United States, Soviet Union, Britain and France, and the up-starting giant, China, went in a big way to create weapons of mass destruction.

Even though India has moved along the path laid down by Bhabha in setting up power stations, initially with technical cooperation from the United States and Canada, and later indigenising the technology, the movement towards achieving the planned objectives has been bogged down for a variety of reasons, the important ones being inadequate financial resources and back-sliding by equipment supplying nations for fear of proliferation.

If the projects had gone according to schedule, India should now be having about 3,000 MW natural uranium fuelled heavy water moderated power stations by the end of 1980s to produce enough plutonium to start off a 500 MW fast-breeder reactor. This target is not

Radiation data on health

The US Secretary of Health, Education and Welfare has announced "a major new policy" of the United States to share with "all the peoples of the world" the information it can obtain about the health risks of low-level radiation.

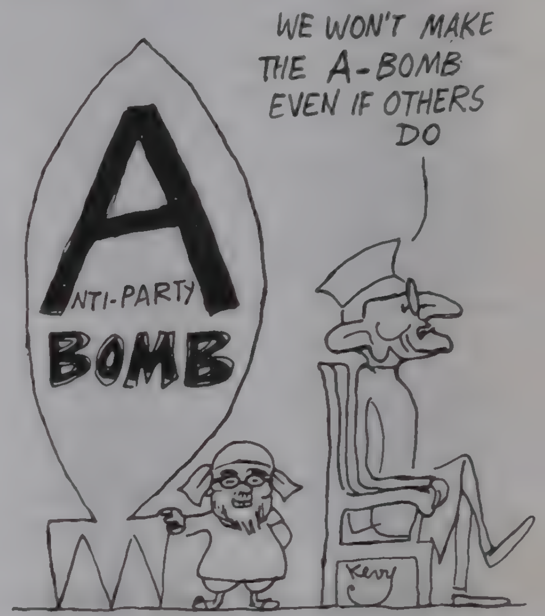
Because nuclear energy must be pursued as a "resource of last resort", Secretary Joseph Califano told the 32nd annual session of the World Health Assembly in Geneva on May 8 that "the safety and protection of individual human beings must be uppermost in our minds and must be at the foundation of the national and international policies we develop" on nuclear power.

Mr Califano said that, to help inform world debate on this subject, President Carter "has directed that the information we obtain through our research and our experience about the health risks and health aspects of low-level radiation, and (about) the health considerations in the development and use of nuclear power, be made available to all the peoples of the world". This information would be disseminated through the World Health Organization (WHO) "as well as directly...as soon as we learnt it so that every nation in the world will have as much knowledge as possible to protect the health and safety of their citizens".

likely to be achieved. Tarapur plutonium has got tied up in safeguard tangles. Rajasthan I is in operation. Rajasthan II and Kalpakkam I and II are behind schedule for reasons already known. Work on Narora units is moving slowly. Decision on setting up two more stations are taken, but site selection is yet to be done. To cap it all, France has pulled back from its contractual obligations to supply enriched uranium to start off the 50 MW fast-breeder test reactor being built at Kalpakkam.

All these delays are going to hamper India from using its vast resources of thorium for producing energy within this century. The best way to make use of thorium is to get it irradiated in fast-breeder reactors. As breeder reactors are in the earlier stages of development even in developed countries, and India has yet to cross the test stage, the French decision is bound to put the clock back for India in developing the most vital thorium-based technology.

The decision to go in for a crash effort at the Kalpakkam Reactor Research Centre to develop uranium enrichment technology is welcomed by nuclear scientists. The envisaged technology is laser based. Bhabha Atomic Research Centre, Trombay, has already done considerable groundwork in this direction. But international fingers are bound to be pointed towards Kalpakkam. This may create further difficulties for India in obtaining international cooperation necessary for long-term objectives of peaceful uses of atomic energy by developing fuel cycles based on locally available natural uranium, whose reserves are limited and thorium, whose reserves are vast.


WE WON'T MAKE THE A-BOMB EVEN IF OTHERS DO
A
NTI-PARTY
BOMB

It appears that the time has come for India to review in basic terms its nuclear energy development targets, reorient its research objectives and re-state its peaceful intention in no uncertain terms. All these need not mean any watering down of the national interest, but only the firming up of intentions, which, of late, have tended to be sagging.

Meanwhile, India has to assert its scientific and diplomatic counsel in bringing about global agreements on non-proliferation and safeguards. Then, indeed, the world will heed to India's voice of wisdom in clearing the nuclear mess it has created.

It is, perhaps, appropriate to end this article with the words of Linus Pauling, who won the Nobel Prize for proton chemistry and also the Nobel Peace Prize. "The time has now come for morality to take its place in the conduct of world affairs; the time has now come for nations of the world to submit to just regulation of their conduct by international law."

Making the bomb would be suicidal

—Morarji Desai

New Delhi, May 7 (PTI, UNI)—Prime Minister Morarji Desai made it clear today that India's stand on nuclear weapons would not change even if Pakistan explodes an atomic bomb. India considered that the United States was playing up the weapons capability of Pakistan to force it to accept fullscope safeguards.

Replying to questions by parliament members attached to the departments of atomic energy, space and electronics, Mr Desai reportedly told the committee that India had rejected Pakistan's suggestion for bilateral safeguards and its demand that India should open its nuclear facilities to international inspection. India wanted that the entire world should be a nuclear-free zone. It would not be logical to agree to the establishment of a nuclear-free zone in some areas of the world. Its implications would be that the countries in other areas would be free to do what they liked.

Mr Desai said that the possession of atomic bombs by Pakistan would not pose any security threat to India. This assertion followed suggestions by some members that India should take a flexible attitude on the question because of the recent developments in Pakistan in the nuclear field. The prime minister also said that it would not be less than three years before Pakistan could succeed in its attempt.

In regard to the manufacture of the bomb by India, Mr Desai said he was quite aware that several people might think otherwise and would want the countries to go nuclear. But he was convinced not only on moral but on practical grounds that it would be suicidal to do so. The committee was told that the Soviet Union had sent India 200 tonnes of heavy water for use in unit II of the Rajasthan nuclear plant. But the heavy water was being kept under storage for the present. Once it was used, the Rajasthan plant would come under Soviet safeguards.

Mr Desai said that India would be free to reprocess the spent fuel of the Tarapur nuclear plant once the United States stopped supply of enriched uranium. The stoppage of fuel supplies for Tarapur would constitute a material breach of the cooperation agreement by the US and relieve India completely from any obligation to adhere to any clauses of the agreement "including the application of safeguards". The available enriched uranium stocks were estimated to keep normal operation of the Tarapur plant up to some time in 1982. This could be extended to some extent by resorting to operation at reduced output. Alternative fuel cycle schemes are under study.

Mr Morarji Desai's patience has a high threshold. I started respecting it. The respect then ascended to awe. Now it has atrophied into amazement. He is a man of many reputations. At least one of them he is now succeeding in living down. This is the reputation for rigidity. The prime minister's *kursi* he sits on is no longer metal. It is fibre-glass. Additionally he moulds himself to his seat more that the seat is moulded for him. In fact there is little that some of his cabinet colleagues or other fellow-partymen cannot do to him and get away with it.

Take, for instance, Mr George Fernandes. He is being ritually rebuked by the prime minister for one delinquency after another, but for all the good this has done him or Mr Desai, the latter need not have wasted his breath at all. The giant-killer goes soldiering on. The way he keeps poking his nose into other ministers' portfolios one would think that he himself is a minister without portfolio.

Blessed with the advantages of large foodgrain and foreign exchange reserves and a nascent sense of discipline on the part of various sections of the community, this government was well-placed to encourage and guide a mini-industrial boom which could have initiated the next active phase in the industrialisation of the country after the stagflation of the middle seventies. But, with Mr George Fernandes carrying on a guerrilla war against the corporate sector, the economy is losing out in many directions. The revival of demand, occasioned by larger farm earnings and increased purchasing power in the hands of organized labour and employees in the government sector, could, in more congenial circumstances, have given a steady boost to production and investment in the manufacturing sector, but is now only serving to push up costs and prices besides underlining short-falls in supplies in many areas of consumption.

If this trend persists, the government will have to become helplessly dependent on a return to the structure of distribution and price controls which had done so much in the past to inhibit the growth of the economy and smear business, bureaucracy, politics and public life with corruption and graft. Is all this not too high a price for the nation to pay for the practice of a perverted kind of radicalism by a single politician who has been repeatedly demonstrating his determination not to recognise the discipline of his membership of the council of ministers? Again, is it not a shame that so much of the time of the prime minister and other ministers, such as the deputy prime minister(F) and the Railway minister, should be taken up in the undoing of the damage to government policies which Mr Fernandes regularly perpetrates?

Mr Lal Krishna Advani is paying for the company he keeps. Once again the ministry of Information and Broadcasting has an extra-constitutional authority—second grade. Scratch a Mankekar and you find a Mohammed Yunus. At least this is what Mr C.R. Irani implied when he charged the I and B ministry with arm-twisting by proxy. Mr T.S. Nilkantan, acting general manager of PTI, is said to have received veiled hints from Mr D.R. Mankekar, the government's nominee on the coordination committee of the non-aligned News Agencies Press Pool, that, if PTI did not sign the agreement with Inter Press Service, the government would be compelled to set up some agency to run the Pool to which it had committed itself and that, in that event, either the subscription paid by AIR to PTI might be reduced, or AIR might take up the question whether it should subscribe to the PTI service at all.

That there could have been these strong-arm tactics is not so much a credit to the brawn of Mr Mankekar as a reflection on the muscle-power of Mr Nilkantan. I have always been against "acting" functionaries of any kind, for they can do no justice either to themselves or their responsibilities and even if the minister, or the secretary to the ministry is determined to get PTI sign on the dotted line, he could in decency have waited until PTI had got itself a general manager in the place of one who, it appears, is always being asked to "act". Meanwhile, why should not our news agencies or our newspapers be free to decide whether to negotiate purely commercial agreements with Inter Press Service in the exercise of their business judgment? Does not Mr Advani realise that the kind of association with the non-aligned News Agencies Press Pool he has let himself be talked into could be the thin end of the wedge of news management by government? He should, while there is still time, allow Mr Mankekar to return to the comparative innocence of semi-retirement in the suburbs.

On Delhi Doordarshan on the 11th, Mr Soli Sorabji's "conversation" with Mr Chanchal Sarkar was more like a disputation between two advocates the one as keenly interested as the other in making the worse appear the better cause than a dialogue that was meant to educate. The Additional Solicitor-General was trying to be clever, surely, when he set out to maintain that there was nothing "special" about the special courts contemplated in the new legislation. He could have been more convincing had he kept to the essential and wholly truthful point that there were to be no improper distortions of judicial procedures or departures from the rules of evidence in a manner to deny in substance or semblance a fair trial to the accused in strict obedience to the Rule of Law. But the greater blame for a largely unrewarding TV session must rest on Mr Chanchal Sarkar who, quite uncharacteristically, chose to labour peripheral issues in a very subjective manner, thereby reducing Mr Sorabji (along with one viewer at least) to wonder what it was that was supposed to be discussed.

VB

MOVING FINGER

Enthrone the consumer

Mr Justice S. Rangarajan, Chairman, MRTP Commission, addressing a seminar on "Dimensions of Consumer Assistance in India", organised by the Indian Federation of Consumer Organizations, in New Delhi on May 5, analysed and assessed "some of the new insights we now have, globally speaking, into the kind of protection that the consumer should have". After discussing the Law's attempted answers to problems of consumer protection, by referring extensively to American case law, he emphasises the central issue of the responsibility shared by the welfare state with management and labour in the private and public sectors to ensure that consumer interests are not neglected—and the consumer really becomes king.

EVEN WHEN a modern welfare state itself enters into the fields of manufacture and trade, in order to ensure economic development and ensure adequate social benefits (thus giving rise to the concept of a mixed economy), the benefits to the consumer, which ought to have flowed to him do not flow, in the expected measure, invariably; curiously, it even leads to a situation when there is greater exploitation of the consumer than in the private sector. I have often dealt with this and allied questions at length—long before I came to occupy my present official position and even before I could have even thought or dreamt of occupying it!—in the course of my continuing concern about the structure and legal control of public enterprises in a mixed economy. What I wrote after about a couple of years of study and discussion with several scholars coming from three other countries, Sri Lanka, Malayasia and Indonesia, has since been published by Praeger (US) who specialise in publications in the field of developmental international economics, under the caption "Law and Enterprise in Asia".

I took the occasion I recently had of my private visit to the US to not only study the philosophy of taxation in the libraries of Harvard and MIT but discuss the same with knowledgeable persons. Before one involves oneself with the mechanics of taxation—there is no dearth of such skilled "artisans" in our country who may be expected to do a fine job of it—the needed perspectives seem all important. A little more attention ought to be paid to the philosophy of taxation itself. The insight currently gained by world's scholars, if they are to be simplified for the purpose of the barest summary for which alone I may find the time now even by straining myself to the utmost are these:

Taxation can never be a tool ushering in egalitarianism. Direct taxation in paricular involves appreciable costs of collection—out of such collection costs of administration (what we call non-plan expenditure) have to be deducted. The resultant net amount available for transfer of resources thus collected may be negligible, especially in the case of direct taxes, the proportion of which to indirect taxes is already very low. Even if administrative skills of a vastly improved kind become available there is the possible risk of the resources thus created being tansferred from a sector which can be expected to use the same productively to another or others which may squander them away. There are now second thoughts even about moving in the direction of equating tax with savings, even where taxation is regarded or used as an instrument of resource mobilisation, this is not to suggest that there cannot be effective resource mobilisation through taxation, at least up to a point.

"resourcefulness"

Even apart from what such a perspicacious person as Mr L. K. Jha recently pointed out of having to regard "resourcefulness" as being more important than "resources", there is the further danger of greater inequality and disparity being introduced by tax-dodging and the creation of parallel economy, which completely and irremediably distorts the main economy. There is also the feature of vast numbers of small men with no more than low or poor family budgets being adversely affected by indirect taxes to a greater extent than the more well to do, whether they belong to the middle or upper middle class.

At the risk of burdening this talk with some details, even the relevancy of which may not be quite apparent unless explained, I shall endeavour to show how a viable economy has to ensure both productive and distributive justice. One of the important requirements is to avoid inflation.

In these circumstances I wish first to

underscore the importance of available critical studies on the subject of taxation and economic development (for instance see a work of that name edited by J.F.J. Toye Frankcase, 1978). The experiment suggested by Kaldor, to impose an expenditure tax, in addition to an income tax, did not prove very successful; this has, I am afraid inhibited thinking on the need and utility of expenditure tax in general. Its usefulness may hopefully become clearer if I suggest that in addition to or even without a properly framed value added tax (the L.K. Jha report on this question contains a wealth of details) we pay some attention to the current global thinking on the philosophy of expenditure taxation, of course with needed modifications to suit the Indian context.

taxation policy

Our present objective being to build an egalitarian society, but without detriment to development, the expenditure tax may be so tailored as to aim more at taxation of certain items but at the same time even exempting the more essential commodities. This is but a bare indication, without going into the manifold details, pertaining to it, I have to resist the temptation of going, which is great, further into the philosophy of taxation; I have brought this in only with a view to indicating the difficulties that lie in the matter of framing an adequate taxation policy and thus, sketchily at least, refer to our great and compelling need to look to non-tax revenues for our pressing and urgent developmental tasks. In this light our public enterprises become very important to consider; the importance may assume even a keener edge if we look at them from the point of the benefits that have to be made available to the consumer.

The above explanation may hopefully let you see the relevance of my reference to the philosophy of taxation here.

Since I wrote the above study of public enterprises, in the few years that have since passed, I have not only kept up my reading intensively and continuously but also been thinking a great deal about the Indian scene and discussing it with scholars of world renown. There are plenty of studies (including those emanating from neutral sources like the UN) of the experience in running public enterprises the world over: the countries which depend on market forces, those which do not and of a country like Yugoslavia, where an effort was made to combine an all-pervading bureaucracy with the full amplitude of the market. Some thinkers, like Prof Charles E. Lindblom (*vide Politics and Markets—The World's Political-Economic Systems, 1978*), regard the success or failure of the Yugoslav experiment as an open question. He says: "the present ineptness in using the market may persuade Yugoslavia once more to turn away from it . . .On the other hand, Yugoslavia may presage the gradual development of a greatly more efficient and equitable economic order. In destroying the historical connection between market system and private enterprise, Yugoslavia may—it is at least a possibility—have set itself and the world on a new course" (p 343). I would regard it as even more important here to highlight the recently published studies entitled "Public Enterprises in the EEC". They do not appear to have been noticed even by Indian scholars. The recently studied countries were Belgium, Luxembourg, Denmark, Federal Republic of Germany, France, Italy, The Netherlands, United Kingdom and Ireland. The studies have been edited by William Keyser and Ralph Wilde in seven separate volumes.

Article 90 of the Treaty of Rome deals with such undertakings; they are referred to as "Article 90 Undertakings". The above studies were sponsored by the Commission of the European Communities and Metra Oxford Consulting Limited. Since the current Indian thinking on public enterprises does not seem to me to adequately reflect the global lessons, being learnt so quickly and more fully than ever, in this respect I have utilised this occasion to draw your attention (and of those involved with public enterprises in our country) to such studies and the particularly valuable materials that have been published concerning the EEC countries.

> ***Yugoslavia may presage the gradual development of a more efficient and equitable economic order. In destroying the historical connection between market system and private enterprise, Yugoslavia may have set itself and the world on a new course.***
>
> ***—Prof Charles E. Lindblom***

It is almost patent that we would have soon to depend a lot more on our non-tax-revenues in order to fully meet with the challenges of development. If only we are diligent and able to free ourselves from all preconceived notions on the subject and also gain a full awareness of global experience as well as our position, our potential in this respect seems very high indeed.

Many of our lego-economic ideas seem to have an Anglo-Saxon source; those pertaining to the creation and management of our public enterprises appear to be no exception. In that view alone I may refer to the above mentioned study of English Nationalised Industries. Reference is made, therefore, to the 1961 White Paper on The Financial and Economic Objectives of Nationalised Enterprises (Command 1337) which says that the corporations should at least seek to balance their accounts over a period of five years after providing for interest and depreciation on a historic cost basis. Additionally, the government expect the corporation to make some depreciation—provision for replacement cost purposes and other contingencies. In its 1967 White Paper (Command 3437) the government did not add anything further on these requirements (p. 17). The main guidelines on pricing were set out in Command 3437. Further, the prices code has been in operation; in addition there have been less explicit influences, ranging from informal guidance to more specific suggestions which have not, however, been reflected in formal directions. But the overall defect that has been pointed out is that government influence on pricing policies has seriously inhibited it from

—Over to page 1046

Statement made by Mr. K. B. Lall, Chairman, on the occasion of the Fortyninth Annual General Meeting of Guest Keen Williams Limited held in Calcutta on 4th May 1979

It gives me much pleasure to welcome you to this, the fortyninth annual general meeting of your Company. The Accounts and Directors' Report have been circulated, and with your permission I shall take them as read.

All of you must be missing a very familiar figure, who has been regularly addressing the annual general meetings since 1968, and in whose place I stand today. I refer to my friend Mr. K. C. Maitra, who retired as Director and Chairman of your Company from 14th August last year.

Mr. Maitra's association with the Group spans 35 long and eventful years, during which your Company has taken many notable strides and has grown into a versatile steel-making and engineering complex in the country. In 1943 he started Sankey Electrical Stampings Limited in Bombay, as a subsidiary of the Guest, Keen & Nettlefolds Group in U. K. Very soon that Company established itself as a leader in the electrical stampings and laminations industry. Later, on the merger of Sankey Electrical Stampings with Guest Keen Williams, in the year 1963, he was named Managing Director and in 1968 he took over as Chairman of your Company, a position he held till his retirement last year. This Company owes much to him, and I would like on behalf of myself, and on your behalf, to place on record our appreciation of his very valuable services. He has our best wishes for his health and for the happiness of his family.

My induction as Chairman of your Company coincides with Mr. Maitra's retirement. I am not new to industry, having been privileged to be associated, during my years in civil service and diplomacy, with the growth of the public sector and the management of commerce and industry at the macro-level. But this is the first time I have the good fortune to have been asked to lead an organisation of your Company's dimensions in the country's corporate sector. I will need all your help in the fulfilment of my tasks and responsibilities and I trust I can count on your cooperation in my effort to strengthen your Company's contribution to the national economy.

Fortunately, from the middle of the year under review, the industrial climate turned out to be more favourable than could be envisaged by my predecessor at this time last year. In consequence, your Company's performance has, despite predictable and unpredictable constraints, been satisfactory over the year as a whole.

While it is true that the severe downturn in the availability of power supply to our Howrah factories was predictable, the severity of fluctuation in its supply was certainly unanticipated. The unprecedented floods last September were, of course, a natural disaster, the like of which has not been experienced before in Howrah and Calcutta. That we were able to take these negative factors, and their concomitant difficulties, in our stride is not only a tribute to the tenacity and resilience of your organisation but also an achievement in which all those who work for it can take justifiable pride.

The performance statistics for the year 1978 show a 12 per cent increase in turnover and a 38 per cent growth in net profits. The dividend of 12 per cent proposed on the capital as increased by the one-for-two bonus issue amounts to 18 per cent on the smaller capital base prior to its expansion, thus recording a 29 per cent rise over last year's. I trust this will carry some satisfaction to our shareholders.

I must share with you the feeling that it would be wrong if we were to allow our achievement to induce a sense of complacency. In my view, the true potential of your Company has yet to be realised. I am aware of the many functional limitations within which it has been operating for some time now. There are also a number of constraints that continue to curb the true realisation of our corporate capacities. The obduracy of some of these circumstances may continue to restrain us from optimally utilising our skills and resources, and prevent us from achieving the kind of working results I personally think we are capable of. I find this situation to be particularly unhappy. The demand for our products is likely to become even stronger, and given a better power and raw materials supplies situation, your Company could give a better account of itself, in consonance with its investment in plant and human resources.

The power situation, particularly in eastern India, where about 70 per cent of our assets and human resources are invested, constitute the single most critical handicap today. Availability of power to the factories situated in Howrah, has been poor throughout 1978. A fairly steep deterioration had been experienced since February 1979. The downturn continues unabated. Last month alone, these five factories have had to remain totally closed for seven days, when there was a total breakdown in high tension power supply. Although these have opened since, they are still working well below capacity.

The man-hours lost in our Howrah factories due to recurring power shortages have an adverse effect on your Company's fortunes and the fortunes of its employees. It has also other far reaching consequences, especially for the wide range of our customers and for the key sectors serviced by them.

The crisis in the power sector has been building up for some time. This is, however, a situation for which no single economic agent can be blamed. A combination of diverse factors has placed in jeopardy the otherwise bright prospects for economic resurgence in eastern India. No one can cope with this combination in isolation. A massive cooperative effort to maximise power availability over the coming months and years and to deploy available power in a manner calculated to ensure its optimal utilisation is urgently called for. To this effort, your Company stands ready to make such contribution as may be within its power.

I am aware of the many plan
the anvil for resolving the med
term difficulties in the power s
I must however point out that
continuing deterioration in the
power situation in the face of
repeated warning signals over
recent years has bred a paralys
lack of confidence in the capa
of the concerned authorities to
implement these plans within
a time bound schedule. While
of the difficulties of industrial
users could be marginally over
come by inhouse action on the
part, the prospects for industry
make its due contribution to th
expansion of the economy in
eastern India depend in a grea
measure on the confidence wh
is built up in the availability
of power and its rational
deployment.

If I am helped to acquire the
requisite confidence and if I g
the strength of the demand fo
products you can be assured o
fairly optimistic outlook for the
future of your Company.
Fortunately, the principal cust
whom we serve, e.g., the
automotive industries, the pro
of agricultural machinery, the
manufacturers of equipment f
power generation and its
distribution, and machine buil
and construction industries, p
a key role in the national econ
These industries have all been
assigned a priority position in
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the full extent of its capabiliti
your Company can assure itse
of its own future.

Unfortunately, corporate
arithmetics are not always that
simple. The demand factor
constitutes only just one thou
admittedly an important varia
in corporate calculations. Incr
demand for an industry's outp
without adequate support from
other crucial variables constitu
the equation for optimal corpo
efficiency, cannot be expected
yield by itself increased turnov
and profitability, the twin
determinants of a Company's
growth and financial well bei

While it is, therefore, true th
our order books wear a satisfa
look and will, hopefully, conti
to stay that way, it is also a fa
that we cannot wish away the
plethora of deterrents that ma
difficult for the demand factor
be turned to our advantage, a
the wider benefit of the econo
as a whole. As a consequence
we are caught in a strange pa
wherein we are unable to resp
fully to the challenges of a
growing market for our produ

and services even though we ourselves are well poised for growth and have the human and financial wherewithal to achieve it.

Apart from recurring power shortages, the scarcity of other key inputs into our production processes is a major source of concern. Melting scrap, mild steel, cement, coal and ferro alloys are frequently not available, in right quantities, at the right time. The chronic shortage of railway wagons and concomitant transport bottlenecks accentuate difficulties and set up chain reactions in the production cycle. In consequence, output falls down, despatches are delayed and spiralling shortages exert unhealthy pressures on costs, margins, and eventually on prices.

This is not a situation which faces your Company alone. The industries with which your Company's destiny is interlinked are in a like situation. In fact, I would not be wrong in describing it to be a characteristic of the Indian economy as a whole today.

For some years now a constellation of forces and factors favouring a quickening of the pace of economic progress and social change has been visible on the horizon. Our failure to integrate them into a strong forward movement over a wide front has made it difficult for the economy to break out of the vicious circle in which we have allowed it to be caught up.

The environment in the country is truly paradoxical, even enigmatic. The economy is no longer hamstrung by the twin constraints of food shortages and foreign exchange stringencies. In fact, the effective demand for these basic inputs in our socio-economic advance continues to lag behind their availability. At the same time the effective demand for such essential inputs as steel, cement, transportation, fuel and power is ruling at a level far ahead of current availabilities, and is tending to outstrip installed capacities. The juxtaposition of surpluses and shortages does not reflect credit on our policies and practices, and calls for immediate attention and urgent action.

Over the years the linkages and dependencies between different sectors of the economy have multiplied and have also grown stronger. Consequently, inadequate investment, uneven activity and operational delays result in distortions which, if not corrected in time, are bound to affect adversely the future course and pattern of social change and economic growth.

There was a time when the interconnection between production, consumption and distribution had not been fully perceived. Fortunately, it is being increasingly realised that without a wider dispersal of purchasing power and productive capabilities, no sector of the economy can hope to prosper in isolation. It is no longer possible to overlook the imperatives for a holistic approach.

Unfortunately, our managerial capability at the national level to anticipate distortions and to take advance action to utilise linkages to optimal advantage has not kept pace with the requirements of the evolving situation. It is distressing that even in the recent past some of the policies pursued or steps taken in one sector have had the effect of frustrating desirable developments in other sectors. In fact, the virtual absence of any serious endeavour to contain, or at least to restrain the growing tendency to focus attention on group interests or sectional objectives at the expense of national requirement should cause great concern for the future.

And yet, my optimism in the future of this great nation remains undimmed. The present conjuncture appears to me to be very favourable for sustained advance in all directions. Every conceivable ingredient required for it is available in adequate measure or is at least within our easy reach. I am sure this perception is shared by most persons in positions of authority and influence. Can they join together in spelling out a national approach to our sectoral problems and in mounting a nation wide effort to promote well integrated moves towards well defined national goals? Or will the opportunity to take off be again missed?

It is in this context that I venture to put forward a couple of brief observations. First and foremost in my mind is the need to focus attention on the capacities that we have succeeded in building up over the years. Their underutilisation seems to me to be endemic to our industrial culture. If output exceeds rated capacity it is a matter of concern, not for congratulation. If installed or acquired capacity remains unused or under utilised there is no obligation or incentive to seek or institute remedial measures. How could this inverted value system be changed? Is it not necessary to penalise wastage of capacity and to provide a premium on optimising its utilisation?

In all product areas, and at all levels of production, there is need for improvement of productivity. It is only through increasing productivity of labour intensive production that we can hope to provide for long awaited increases in living standards as also employment opportunities.

There remain a number of crucial areas where without additional inputs of capital and technology it is impractical to cater to the country's growing needs. This is not an occasion for me to refer to the policies, the procedures and the practices which inhibit initiatives to meet these needs. It is sufficient if attention is invited to the desirability of generating an environment favourable to the promotion of cohesive activity and cooperative endeavour on the part of the administration, the industrial and agricultural producers and organised and unorganised labour

The need to contain inflationary pressures that have emerged in the wake of the union budget must already be receiving attention at the highest policy making levels. The multiplier effect of direct and indirect imposts on input costs is now known to have been significant. The escalation of costs at a time when industry is not succeeding in its effort to build up production to match the rising demand is likely to push consumer prices beyond the consumer's reach. Should this happen, the effective demand is bound to fall to lagging supply levels. It is this vicious circle of increased costs conspiring with supply shortages to escalate consumer prices and consequently to induce demand recession that makes small and large producers hesitate in committing their time, talent, and resources to securing accelerated increases in levels of production and productivity. The future outlook for your Company will inevitably be influenced by the emerging national environment. Your Company has in turn a contribution to make to this environment and through it to the achievement of national objectives.

I see promising possibilities for our steel making and engineering complex to be further diversified, for its already significant capabilities to be expanded and for its production processes and technologies to be upgraded. It shall be our endeavour to engage in a continuing dialogue with our customers so that we may be able to serve them better to meet the mounting demands on them for higher production and better products. It is also proposed to explore the possibilities for utilising our technical and managerial expertise to meet the emerging requirements of prospective customers in a few other priority areas. The importance attached by your Company to its export performance is reflected in last year's achievement. Since the future course of demand in the newly developed markets is somewhat uncertain, it will be necessary to broaden the product base and intensify the search for new customers so as to sustain our export performance, and if possible, to attain higher targets. In the fulfilment of all these tasks, your Company counts on the continued support and cooperation from your Associates, the Guest, Keen & Nettlefolds Group of Companies.

Before concluding, I would like to offer my sincere appreciation to all members of the GKW family who have worked so hard in trying circumstances to secure satisfactory results for your Company. The trade union leadership, as also the management, deserve special congratulations for their success in negotiating long term agreements to provide in all the nine factories an industrial climate conducive to their efficient functioning. You will wish to join me in sending our best wishes to all members of the GKW family for their individual well being and their collective contribution to your Company's future.

(This does not purport to be a report of the proceedings of the Annual General Meeting.)

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exploiting to the full the benefits of a market policy at times of buoyant demand (p 30).

It has been my growing feeling that our pricing policies have to be formulated after very sensitive balancing of the need to recover the costs to the extent needed and the welfare of the consumer.

Without being too dogmatic it may at least be urged that such an experiment may well be made. It is in this context that it seems to me that the entire spectrum of public sector activity should come under more effective review; the commission being asked to oversee the practices of such enterprises may in this view, be an aid rather than hindrance. This may be seen in a better light if one sees it from the point of view of the consumer. I have sought to utilise my fairly well known scholarly (pretension, if you please) interests to say no more and no less; it is not with a view to criticising anyone or any policy; it is only a part of my involvement with continuing education in this, what seems to me to be, the most important, area of our developing scene.

national objectives

It seems to me that by paying the needed attention it would be possible to do better. It may be necessary to separate those which have predominantly social objectives from those which have to be profit-oriented. It would be a misnomer to think that the state should not make any profit; it has only to be commensurate with overall national objectives. As it is, the choice of such enterprises has been mostly in areas requiring a greater gestation period, higher capital outlays and involving heavier social costs. This was perhaps inevitable in a situation when and where private enterprise was either not equal to it or was shy. I had been making a plea for several years past, even when this did not find favour with the decision makers, for public enterprises entering the field of consumer goods, coupled of course with the plea that by doing so there would be greater benefit to the ultimate consumer. With the techniques available for better performance-measurement than before and with the objectives of at least some units being clearly defined (so as to ensure better management by objectives) many of the existing imbalances in our economy may hopefully disappear and in a much shorter time.

The essence of what I had stated in my above-said work seems to have found favour with the expert committee, appointed under the chairmanship of Mr Justice Rajinder Sachar; it is now being examined by the government; very soon, the changes recommended by the committee would be on the legislative anvil.

The committee has recommended, *inter alia*, that the public sector undertakings (now exempt from the purview of the MRTPC) should also be brought within the purview of the MRTPC so that the commission may examine cases of restrictive, unfair and even monopolistic practices indulged in these undertakings. This has been naturally enough acclaimed by the consuming public, though I am told that there is some opposition even from the public enterprises themselves and even labour involved with them. I shall not enter into this controversy here; my only purpose in referring to this aspect is to indicate the new thinking, globally, on this theme and how sensitive minds are concerned with there being no exploitation of the consumer's interest in any way by public enterprises themselves; if this is allowed to happen, it would be a case of the Welfare State itself exploiting the consumer, whose interest it has obviously to protect! No one could, therefore, in principle controvert the duty of the Welfare State subserving public interest; it cannot be denied that consumer interest is public interest.

the basic role

The very justification for the Welfare State enacting measures to prevent exploitation of the public (consumer) interest is the basic role and function of the Welfare State; such a state, committed to public (which includes consumer) welfare, cannot, in the same breath, say it must or can arrogate to itself the privelege (even if not the right) of exploiting consumer interest to the latter's disadvantage. My own studies of the various public enterprise situations in the developed and developing countries of the world have shown to me unmistakably that despite the Welfare State, wherever it exists, not intending to do so, such a (curious) phenomenon—of the consumer being exploited by the pricing of various commodities and even the quality of the products not being such as would promote consumer interest—being present. We actually find that consumer has often to pay more than justifiable or reasonable, for goods produced by the public sector and those goods are not always of the desired quality. It is obviously with a view to preventing this happening that the expert committee has made the above recommendation. Not merely that: it has also suggested, *inter alia,* that in addition to restrictive and monopolistic trade practices, which are alone currently under the purview of the commission, it must also concern itself with unfair trade practices.

American effort

The earliest among the efforts in the direction of giving protection to consumers were made in America, barring Sweden. They date from the 1890s. Voluntary, not-for-profit, non-governmental organisations representing the interests of dispersed and unorganized consumers have aroused concern for consumer problems by organizing boycotts, lobbying for consumer protection legislation, etc. The earliest among the advisory commissions studying the need for consumer protection were concerned with the need to protect consumers against adulterated food and drug products. Reliance was principally placed on boycotts and publicity measures to dramatize the problem. Such actions helped secure the passage in the USA of the Pure Food and Drug Act of 1906 and the Federal Trade Commission Act of 1914. During 1930s much of the effort of voluntary consumer groups was directed toward increasing the supply of information on consumer products. By 1969 there were more than 20 voluntary groups to promote consumer interests: these groups promoted and sought continuous and explicit representation of consumer interests in public policy decisions.

The slow rate of progress, however, would be still evident from the fact that annually, since 1969, bills were being only introduced to establish a consumer protection agency. Through 1958 the Congress enacted only five laws relating to consumer protection: 28 were enacted since, including the Fair Packaging and Labelling Act

(1965), the Truth-in-Lending Act (1966), and the Consumer Product Safety Act of 1972. But by 1973 there were more than 80 national, state, and local non-profit consumer organisations supplying information to customers and attempting to influence the formation of governmental and privately sponsored consumer protection programmes. Fortyfour states had laws similar to the Federal Commission Act to prevent unfair and deceptive practices in commerce. In 1973 there were some 20 federal and some 200 state and local agencies engaged in providing consumers with both information and other forms of protection. The federal government alone spent at least 1.2 billion dollars on consumer protection programmes in 1973; in 1975 that total reached 1.6 billion. The areas of expenditure covered included the departments of Agriculture for meat and poultry inspection, Transportation for auto and highway safety, Food and Drugs Administration and the Federal Trade Commission.

The Sachar Committee has recommended that the public sector undertakings should also be brought within the purview of MRTPC so that public enterprises are not allowed to exploit the consumer.

What is even more important to mention here is the distinctive development of expanding public interest law activities on behalf of consumers, and, in particular, the device of using public interest litigation. The details of this have been given (some of other details given above and below have been taken from the same source) in "Public Interest Law," edited by Burton Asweisbrod.

It may not be an exaggeration to say that public interest law has mostly developed by reason of the efforts of Ralph Nader and his group. The Nader operation extends across the entire spectrum of such activities: in particular, the Aviation Consumer Action Group, Project and the Public Citizen Litigation Group. The Nader organization comprised 21 groups based in Washington DC with all but four fully funded from the organization. There was a 1.6 million budget in 1972 for this group funded mostly by private contributions and by foundations; 500,000 dollars were out of Nader's own personal funds got from writing and lecturing. In addition, there are Nader-inspired public interest research groups: in two states there are more than 50 full-time personnel and 500,000 student members, whose donations amounted to 1.4 million dollars in 1974. The Consumer's Union and the Consumer Federation of America are financed primarily from members' contributions. In addition, there is another group known as Nanzhal's Bandits, composed of student lawyers, under the leadership of John Banzhaf at the George Washington University Law School, with lawyers assisting them. The litigation pertains to enforcement or implementation of consumer protection laws (new product standards, new information disclosure regulation, etc) and reducing cost to consumers of certain information by first acquiring and then disseminating and later on also removing restrictions preventing private firms from supplying the information to consumers directly.

The record of judicial success in the US is evenly divided between the enforcement and the access-to-information cases. Judicial success or failure, however, does not exhaust the whole area: while there is no guarantee that success in court will ultimately secure the remedies sought, the individuals concerned will be benefited by court action even when there is failure on the judicial front, for it could be either made up fully or partially by publicity adverse to the defendant. This can lead to changes that either partly or wholly accomplish the objectives of judicial action.

Mere general statements to the above effect may not bring out forcibly the kind of individual efforts that have to be made before the consumer protection movement can even get off to a start. I will now relate to you a suit filed by Ralph Nader (reported as *Nader vs Allegheny Air Lines Inc.* Law Review XLIII, Fall, 1974; pp 112-114). Nader had a confirmed reservation in 1972 on flight between Washington DC to Hartford, Connecticut, where he was to speak at a rally organized by the Connecticut Citizen Action Group. But Nader was denied boarding because the flight had been overbooked when it arrived at the Allegheny terminal. Ralph Nader refused to accept the alternative booking for a flight that would arrive 55 minutes late and also refused to accept compensation from Allegheny. Joined by the Connecticut Citizen Action Group, Nader brought a suit against Allegheny for compensatory and punitive damages, charging that the entire airline had violated the anti-discriminatory provision of the Federal Aviation Act.

The trial court found that overbooking as practised by the airline was deceptive, since the public was not told of the practice; Allegheny was found to have "bumped" 945 customers the same month Nader was "bumped". The trial court awarded damages of 10 and 51 dollars to Nader and the Connecticut group respectively and punitive damages of 25,000 dollars to both. The appellate court stated that the group was not directly involved and hence could not claim damages. Nader appealed to the Supreme Court, which ruled, in 1976, that the case should not be stayed. Action at the district court level was awaited when I last knew of it.

preventing overbooking

The objective of the action was not merely to exact a penalty from Allegheny but to bring pressure to prevent overbookings; even if this objective could not succeed fully it was to at least limit voluntarily the amount of overbookings. The fact was that being more attentive to the interest of the airlines but not of the passengers the CAB never directly regulated the overbooking practice. The practice of airlines, which compete with each other, is to arrange for alternative bookings when overbooked or pay compensation if alternative bookings arranged were not accepted. This happened to me during one of my flights in the USA, in 1978.

But I did not know about the Ralph litigation then; having been informed, in time, about the alternative booking I was (as I was going to US from India) only too grateful for telling me in advance and for providing alternative accommodation.

I did not, therefore, either think of the alternative of getting compensation or of handing the matter over to Nader and some Citizen Action Group. I wish to narrate this story to the Indian consumer, who seems utterly helpless today whenever he has grievances in the matter of his being handled as a passenger by the Indian Airlines. There is no competition here; the actions of the airline are not subject to scrutiny by any independent body like the MRTP Commission; even complaints written to the airlines do not seem to produce any result. I did myself complain once, having been goaded by my son, who visited with me then, the food supplied during the flight being intolerable. When I visited my son later, in the United States, he asked me what happened to the complaint; I could only tell him that I did not even get an acknowledgement. All this obviously happens owing to a monopoly position, which is being abused, under a cloak of statutory protection, the absence of not only a strong consumer organization but absence of persons of the type of Nader or John Banzhaf, or a student or legal community of that kind here.

role of lawyers

The community of lawyers and law students in India do not seem to realise the important role they can play by articulating and enforcing, as well as participating in groups which both articulate and enforce measures calculated to bring in at least a minimum measure of consumer protection. It may be worth recalling that the remedy of preventing overbookings sought was not even in issue in the above legal proceedings; but it was the one intended. The apathy of the legal community in this respect is typical of the Indian approach to public law problems, generally. As it often happens in other fields, the Indian citizen, by and large, seems to think that better results will follow to society by merely making representations to government or merely hoping that the government will act. The lesson that is being increasingly learned in the most progressive of modern welfare states today, even functioning in a democratic framework, is that considerable pressure has to be brought by the public on the government if the government itself is to act in the desired manner and direction and that the citizens themselves have to help themselves by suitable action within the framework of law to a considerable degree. It can, and has to be quite often in the nature of effecting changes in the law; as for instance the recommendations of the expert committee to bring public sector enterprises and unfair trade practices within the purview of the commission. Yet another recommendation of the expert committee is the permitting of class actions by consumers, though the remedy of triple or enhanced damages, as in the US, has not been recommended.

control on advertising

On the aspect of bringing unfair trade practices within the commission it will be important to mention how advertising itself has to be controlled if the consumer has to be protected against them. The more commonly known category is the deceptive nature of advertisements; this is the aspect which is better known.

Some of the American cases on advertising are interesting. The Federal Trade Commission Act prescribes deceptive acts or practices in inter-state commerce. Nothing in the act prescribes commercial advertising as such. At the outset the courts adhered to the rule of the "reasonable man" for interpreting the term 'deceptive practices'; the reasonable man was referred to as one of average prudence, and ordinary sense using ordinary care and skill. Soon after the Wheeler Lea amendments to the Federal Trade Commission Act were passed there was some erosion into the concept of the standard of reasonable man; this was based on the interpretation of the opinion of Justice Black, speaking for the American Supreme Court in *Federal Trade Commission Vs Standard Education Society* (302: US 112). The rule of *caveat emptor* or "purchaser beware" was not to be relied upon to reward fraud and deception. The decision rang a death knell to both *caveat emptor* and the negligence exception to palpable falsehoods. In a later case, *Donaldson vs. Read Magazine Inc.* (333: US 178) Justice Black emphasised that people had a right to assume that fraudulent advertising traps will not lead to ensnare them, thus affirming what he had said earlier that "laws are made to protect the trusting as well as the suspicious".

Supreme Court decision

Despite some controversy, chiefly caused by the trial court's decision being reversed by the appellate court, which in turn was reversed by the Supreme Court, in the *Colgate Palmolive* case (380: US 374) the Supreme Court held that the viewer was deceived into believing the commercial advertisement showing moistening and softening of what appeared to have been tough dry sand paper (what was used was plexiglass upon which sand had been applied), that the viewer was asked to base his purchasing judgement on the test he had seen, the test being deceptive. In a somewhat similar case, in the matter of *Campbell Soup Co.* there was a consent order where the respondent had placed glass marbles at the bottom of soup depicted in an ad. This was said to have driven solids in the soup to the surface. It had been maintained during the respondent's defence that the marbles had done no more than depict to the viewer a viscosity of the soup conforming to the actuality, an untenable defence in view of what the Supreme Court had decided earlier.

The American Supreme Court has also reckoned with the possibility of every sentence separately considered being literally true but the advertisement as a whole being completely misleading. In an older decision Judge Learned Hand had understood the exercise as insisting upon the "most literal truthfulness". Ambiguities in advertisements are being resolved against the advertiser; in other words, if an advertisement lends itself to more than one interpretation, the deceptive interpretation would be relied upon *United States vs 95 Barrels etc. of Vinegar*, (265 US 438). Claims that one's products have extraordinary features or uniqueness would be deceptive unless the claims were regarded as mere 'puffing'. It will be needless to go into other examples from the American scene for there is a fantastically vast number of decisions in this area. The whole law of advertisement has been summarised recently in two stout volumes by the Rosdens: "Law of Advertising", Matthew Bender, New York.

Yet another aspect, not so well known, is that if a firm indulges in excessive advertising in circumstances which would constitute it a barrier to entry, it can become a restrictive trade practice because the excessive expenditure on such advertisements calculated to make others, intending to enter the market, not to enter the same for fear of the high costs of production including the needlessly incurred heavy expenditure on advertisements; in practical terms, therefore, this is a forbidding consideration for one seeking to enter the market where the costs of production (including the puffed up costs of advertisements) are so high. This obviously leads to the consumer not having the benefit of buying the said article cheaper.

law's answer

I may quote here what Prof. Richard A. Posner, in his classic work "Economic Analysis of Law" (second, 1977 edition), an indispensable reading for both economists and lawyers, says pertaining to monopolies, pricing and barrier to entry:

After dealing with natural monopolies, the cheapest way of organising enterprises having great utility for the public, he says, that "the law's answer to this problem is regulation which has three aspects, namely: (1) profit control; (2) entry control; and (3) price control. On monopoly itself he points out (p 201) that "the effect of monopoly is to make some consumers satisfy their demands by switching to goods that costs society more to produce the monopolised good. The cost is a waste to society". Further, "since a monopoly return is larger than a competitive return, sellers in competitive markets will be attracted to a market in which a monopoly price is being charged. To obtain monopoly profits the new entrants must sell" (p 208). Hence it is that one has to be very careful about "barriers to entry", which expression explains in the following manner: "Strictly speaking, a barrier to entry into a market is higher than the long-run costs of the existing firms in the market; a good example is a regulatory limitation on entry. The term is also used, questionably as a synonym for heavy set-up costs. Thus, a market in which the capital or advertising expenditures necessary to obtain a foothold are large is frequently discribed as one in which there are barriers to entry", etc. (p 227).

What seems necessary to put across in clear and simple terms are the manifold restrictive and unfair practices that are being indulged in by various sections of manufacturers, public or private and the needless excessive pricing which may lead to greater inflation or stagflation.

It is now well known that inflationary trends are controllable by monetary and fiscal diciplines only if anothor parameter viz of not allowing any rise in wages which are not linked to productivity, is ensured. While I am all for labour not being exploited, I still would make bold to say that ever-increasing and incessant demand for wage increases, not linked to productivity, is undoubtedly an inflationary factor. When monetary and fiscal controls fail, as they are foredoomed to fail in such situations, mere populist solutions without going into core of this problem do not help; they often aggravate the situation. Labour must therefore realise that if there has to be no greater inflation than can be managed or further development and along with it further employment are desired, different attitudes, based on self-restraint, are called for. If the whole of the economic situation is looked at from the point of the protection of the consumer, all other claims, either of entrepreneners (capital) or labour, would fall into their proper places. The last quarter of this century is promising us a breakthrough in this respect. The consumer movement if looked at in this light, will assume a mightier dimension and supply the needed solution to problems, which have hitherto defined solution.

Regarding labour and anti-trust law, Posner points out (page 242): "Although the policy of the federal labour laws has been to place beyond the reach of the anti-trust laws efforts to restrict the supply and raise the price of labour a limited role for anti-trust law in the labour field remains."....etc. Since Posner wrote this book originally some economists and lawyers do not appear to rest content with stating the position as modestly as Posner has done in favour of labour.

Addressing the recent World Management Congress at Delhi, Sir James Lindsay, director of International Programmes, Administrative Staff College, UK said: "The consumer association is demanding that the government should make the consultative machinery quadripartite, putting it on a par with the two sides of the industry, the Trade Union Congress and Confedertion of British Industry (CBI) who, in theory (and perhaps one day in practice!) might conspire together to exploit the consumer for the benefit of wage and dividend earners."

Addressing the same conference Dr G. Kanawaty, Head, Management Development Branch, ILO Switzerland, said on this aspect: "As unions continue to push for higher wages that can offset the impact of inflation and provide an improvement in the quality of life of their members (and in some cases government) will want to tie wages and incentives to productivity, it will become more necessary in the future for the social partners to arrive at a formula linking wages to inflation and productivity and one which allows a progressive increase in real income".

The following passage from Joachim Gabler (*vide* "Participating and Working of the Price Mechanism in a Market Economy in Economics of Co-determination", edited by David F. Healthfield, 1977) may be even more interesting to those who are not exposed of the existence of such thinking earlier: ". . . if participation permits

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workers to take a considerable share of profits from monopoly, their interest as producers in small outputs and high prices for their firms will always be stronger than their interest as consumers in large outputs and low prices. I fear very much that the introduction of a general system of parity codetermination could further weaken the already half-hearted struggle against consumers by producers—a possibility foreseen in a syndicalist system by Austro-Marxists like, e.g. Bauer (1921) and Korsch (1969) which is no less relevant for participatory system".

The feudal serf liberated from his serfdom, closely following the industrial revolution became, again, slave to capital. Even when separation between management and capital was established, the previous subjection of the capital was not completely relieved against. Even when such liberation has become increasingly possible there has been exploitation of consumer interest even by labour, even more than what even a professional management was capable of! This position did not seem to improve very much even with the state coming into the field of manufacture and trade; there was no visible improvement in the protection which the consumer had. In a democratic rule of law context knowledgable persons also seem concerned about marrying political and economic power in a mixed economy.

negative approaches

The progression in the matter of pursuing an adequate competition policy has been from negative approaches like "anti-trust analysis" or "anti-monopoly" to something more positive, namely, "fair competition" and consequently to "fair trading". This is best illustrated by not only a work pertaining to this area entitled "Fair Competition" by Daimler in the US, but an English act entitled Fair Trading Act (1973) which set up a director and some centres to deal with this situation. There has been a recent insightful monograph on the subject of fair trading by Dame Elizabeth Akroyd *Management Decision Monograph*; Vol II, No 6, Winter 1973). Dame Elizabeth explains that "Fair Trading" is a phrase which may be taken to cover the whole ethic of commercial dealing with the public and between traders. The Monopoly Committee on Consumer Protection which reported in 1962 said: "We have no hesitation in saying that, over all, competition is the consumer's best friend". The Crowther Committee on Consumer Credit (1971), which also reported prior to the Fair Trading Act, thought that competition alone was not the "consumer's best friend". Many of the gaps left in England were since plugged. Dame Elizabeth also points out that while the legislation on this field has been multiplying "the outlook of courts has on the whole kept pace with the times by veering towards the recognition that forces are not evenly balanced in the market place between the supplier and the private buyer".

swing back

The Conservative government abolished the Consumer Council, set up by the previous government in 1963, on the ground that since its inception other consumer organisations had grown in number and that competition could be relied upon the rest. But there has been a swing back in favour of competition since consumers are not sufficiently organised to use their market power; they are inevitably disadvantaged with large firms and lack information so essential to effective choice (*vide* Sir Geoffery Howe, then minister for Trade and Consumer Affairs).

An effective policy to promote consumer welfare, therefore, should, according to Dame Elizabeth, embrace the following elements: (1) Protection; (2) Information; (3) Advice; (4) Education; and (5) Representation.

The English Fair Trading Act gives the director a general duty of keeping an eye on commercial activities which may adversely affect consumers S 2 (1); under other provisions it is his duty to give information and advice to the secretary of state on many matters which come under his review and to recommend action by ministers.

There is no time here to notice the other provisions of this act except to note that the director alone can put cases to the Consumer Protection Advisory Committee when a statutory order is proposed; in other cases, the ministers too can. The department of Trade and Industry considers the committee "as a useful sounding board for ministers contemplating action in the consumer field". Such a technique with suitable modifications may generally be useful in the Indian context, in the event of the expert committee's recommendations to provide greater consumer protection being accepted now.

"universal aunt"

Sir Howe rightly cautions that the director "certainly is not to act as an Universal Aunt to deal with individual consumer complaints or problems"; this was obviously to not overload or overwhelm him and thus prevent him from "doing the meat of his job".

The centres provided in England were intended to fulfil a dual function: to provide advice and help to consumers and to "act as grassroots sources of information about consumer difficulties and about the extent of seriousness of consumer complaints about trading practices". An alert, questioning consumer, according to Dame Elizabeth, is the "best stimulus of all to fair trading". She regrets the most the abolition of the Consumer Council, of which she was the director since its inception (1963) till its abolition. Since the director's functions do not include the promotion with education authorities and teachers and the groundwork in the schools for consumers for the future, she explains that competition policy is not "a science to be operated by reading off answers from the book of rules".

Peter Goldman, director of Consumers' Association, who addressed the 18th CIOS World Management Congress held at Delhi between December 5 and 8, 1978, said: "Any one who spends money buying goods and services is a consumer. In so far as we are able to, we all spend money on goods and services". We are all of us, therefore, consumers and there cannot be any conceivable difficulty, even from the point of view of our own self-interest putting ourselves on top! He lamented, until recently, consumers activities were of no interest to politicians or publicists, scientists or sociologists, and not of primary concern to most economists. It was only recently that Robert Bork, who taught Economics in Chicago and Yale, and was also the Solicitor General in the United States (he also acted as Attorney General) has come out with his work entitled "Anti-Trust Paradox" where he seeks to restore the consumer to his rightful place; whether this is found feasible or not, he urges that consumer protection and well being, should be the sole aim and object of anti-trust analysis.

Reverting to Peter Goldman, he explained that the expertise of the US Consumers Union has spread to every corner of the world. The International Organisation of Consumers Unions, founded in 1960, has 100 members, coming from 50 countries; most of the larger and better-off undertake comparative testing of competing products and publish results and interpretations in their bulletins and magazines. In Britain the magazine "Which ?", founded in 1957, now publishes information on more than 200 different products each year, tests 80 per cent of them in its own laboratories and has a subscribing membership of over 600,000, deriving from its subscribers alone money equivalent to over 12 million US dollars annually. One fourth of the British families now see the 'Which?' every month. This will be some measure of the strength and influence which a consumer organisation can achieve.

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The efforts made in England during the 1970s were as follows :

(1) Creation of a separate ministry for Consumer Affairs with cabinet status, which had not only to protect and assist consumers who create market for goods and services and administer and strengthen laws regulating the conduct of businesses which supply them but also establish a new Office of Fair Trading. Whenever the director general of Fair Trading considers that a particular trade practice misleads or confuses consumers, or pressurises them or leads to unfair contracts, he may propose that an order may be made to regulate or prohibit the practice. Then the proposal would be scrutinised by a Consumer Prtection Advisory Committee consisting of people experienced in consumer work; if the same seems right to the committee, subject to the approval of the minister and parliament, it becomes law. The network of consumer advice centres throughout the country provides independent guidance and help particularly to the less sophisticated consumers who cannot be expected to read any magazine, for instance one like "Which ?" The centres also act as grassroots sources of information about consumer difficulties and consumer complaints regarding trade practices.

The director general of Fair Trading is a mirror image of the Consumer Ombudsman in Scandivavia; the consumer advice centres are an English translation of the Verbraucherberantung of Austria and West Germany. After pointing these out Peter Goldman recalled what he had stated earlier, to the World Food Conference in Rome, in 1970: national disasters, crop failures and administrative errors are not the only culprits; it is the faulty mechanisms of international distribution that exploit and deprive countless millions of world's consumers.

Peter Goldman also summarised the rights asserted by the consumers in Britain as follows :

"(1) We assert the consumer's right to safety—to an assurance that the products one buys to eat, to wear, to drive, to use around the home, will not be the direct cause of physical injury or illness.

(2) We assert the consumer's right to fair dealing—to honesty and freedom from deceit in advertising, in oral descriptions, in packaging, in labelling and in price posting.

(3) We assert the consumer's right to full, factual information—including the ability to know what one is buying compares in nature, quality and reliability with similar commodities competing with it.

(4) Not least, we assert the consumer's right to be heard—to participate on a level footing with farmers, manufacturers, merchants, retailers and other corporate groups, in all the consultative processes that concern their interests".

The theme of the Congress of International Organization of Consumers Unions held in London about a year ago was "A World in Crisis; the Consumer Response". In August 1977, the Economic and Security Council passed a resolution requesting the secretary general to prepare a survey illustrative of the range of situations and legal arrangements existing in the field of consumer protection.

Swedish situation

While making international comparisons with England, Dame Elizabeth has said the following of Sweden :

As the distribution of consumer products started developing, a greater cross-section of the people and the government had to start supporting institutions to do research on consumer policies. Public Complaints Boards were set up to look into the cases of abuse by producers and sellers which were referred to arbitration. Even though decision of the arbitration tribunal could not be enforced, in over 80 per cent of the cases consumer' satisfaction was obtained. Consumer associations were started in Sweden wherein representatives from trade unions, employers' federations and consumers were nominated. The government then set up a National Board for Consumers' Policy, whose primary task was to protect consumers and identify their needs. The information from producer to the consumers was also passed on through various media so that there was a communication between the producers and consumers. As the consumers movement further picked up, the National Board started regional and municipal committees with consumer information centres. The consumer protection in Sweden is in a legislative form, the objectives of which are to have the correct marketing practices by which they could prevent producers from wrong advertisements giving misleading facts, printing incorrect prices or to project wrong image of the quality. Consumer Ombudsman brought to light malpractices before the Marketing Board. The Consumers Sales Act has also legislation relating to consumers credit sales and in 1976 the entire consumer movement was viewed as a collective bargaining machinery.

US disclosure programme

In addition to what has been noticed pertaining to the American scene, it may be profitable to refer briefly to the following feature :

An affirmative disclosure programme by increasing consumer knowledge (even as distinct from one which reduces consumer ignorance) should have a favourable—i.e., a pro-competitive effect on several major elements of market structure including concentration, barriers to entry and product differentiation. Furthermore, by enabling the consumer to spend his income more rationally this programme should result in a better allocation of scarce resources. These benefits are expected on the basis of economic theory, supported by a mounting body of empirical evidence. This is the conclusion of Stephen A. Rhodes, Staff Economist of the US Federal Reserve System in his valuable article on "Reducing Consumer Ignorance: An approach and its Effect" (in 1975 Anti-Trust Bulletin, page 309-327).

Rhodes analyses the cases commencing with the alternative of doing nothing at all (which is of course not viable) to other prescriptions like government publishing available data and also establishing process testing and publishing results. It is of the essence that the dissemination of information should help the buyer to help make rational choices, which course by itself may have the merit of avoiding more interference by government than need be in this area which is so important for the economic and physical health of a nation; but this will not, I suppose, foreclose efforts to regulate to the extent the context makes such regulation inevitable. To make the programme manageable Rhodes suggests the first step of narrowing down or defining the range of products of selection and indicates possible criteria in this regard like: necessities, hazardous products, big ticket items costing at the time of the purchase a big or appreciable portion of the average consumer's budget, etc. But even here, as he points out, the priorities would have to be worked out.

the Indian scene

Generally speaking all restrictive trade practices affect the consumers adversely directly or indirectly because such practices affect competition adversely. There is, however, not enough consumer conciousness about the manner in which their complaints can be redressed. The Monopolies and Restrictive Trade Practices Commission is one such body which has autonomous power for enquiring into consumers complaints regarding restrictive trade practices.

The restrictive trade practices which have generally been coming before the commission in one form or the other and which are important from consumer angle are as follows:

(i) Collusive action on the part of the manufacturers in fixing, maintaining and increasing prices;

(ii) Trade practice requiring a purchaser of goods, as a condition of such purchase, to purchase some other goods. Sellers of fast selling items often compel consumers to buy other slow moving items which they may not like to buy but are forced to as a condition for being able to purchase the other goods;

(iii) Trade practice relating to exclusive dealership. Such practice prevents dealers from dealing in goods of other manufacturers and thus prevents competition;

(iv) Trade practice regarding resale price maintenance—This practice involves an agreement between the manufacturer or supplier on one hand and dealer or distributor on the other hand whereby the latter are not allowed to sell below a price fixed by the manufacturer or supplier. Price maintenance agreements prevent reduction of price even in cases where the dealer may want to sell goods at lower price by reducing his own margin of profit. Such a trade practice has a very detrimental effect on the consumers; and.

(v) The practice whereby areas are allocated for dealers, distributors etc who are prohibited by the principal from selling goods outside the area allocated to them. This often leads to the possibility of artificial shortages and high prices.

One should not, however, overlook either the large number of existing statutes in India aimed to protect the consumers. They are: The Dangerous Drugs Act, 1930; Drugs and Cosmetics Act; Drugs Control Act, 1950; Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954; Essential Commodities Act; Prevention of Food Adulteration Act; Weights and Measures Act; etc, or the numerous packaging regulations under the Food Adulteration and the Weights and Measurements Acts.

uniformity in enforcement

The recommendation of the expert committee in regard to unfair trade practices has doubtless taken note of the existing statutes and the vastness of the country yet the need to bring about uniformity in the matter of enforcing the newly recommended provisions concerning unfair practices. This has been obviously considered necessary to prevent offending persons escaping by being able to point out that what is put against them is not within the scope of the existing act on restrictive and monopolistic practices strictly so-called since they would be unfair trade practices at the highest.

The commission by itself cannot be made to enforce every law of the descriptions mentioned above. In addition to, but not in substitution of existing laws on the subject, the commission may however, be empowered to deal with offenders under existing laws, at least to start with, if any one has been convicted or found guilty under them more than once and there is credible or prima facie evidence that he is indulging in the same practice of which he has been found guilty. It may be useful to consider whether in such cases at least the commission may be empowered, to start with, to issue notices to the offenders and after hearing them put them out of trading in the same line of business, if necessary, or pass other appropriate and effective orders in regard of it, both pending enquiry before it as well as in permanent terms.

I say so for the reason that merely enhancing the punishment for repetitions of such offences does not seem to have yet produced the desired result; one even suspects whether this does make the law enforcement agency in these areas richer placing as it does a great premium on offenders desperately getting round such officers who are not very handsomely paid either. If action of the kind proposed is taken this may at least reduce the pressures on and temptation to the law-enforcing agencies from offenders: very soon they may be found out and put out of the trade. If this happens it would be a potent instance of the message that "crime does not pay". If this strategy is found successful in practice then some other legal forums (carefully chosen) also may be empowered with such powers. A high powered commission like the MRTPC would undeniably be the appropriate forum for at least such experimentation. This by itself, in the Indian context, will go a long way to mitigate this evil.

There is growing awareness of monopoly permitting managements to relax all round and the "lean and hungry", as the smaller units are called, largely displaying greater initiative and producing better innovations.

I am not sure whether the expert committee had before it the most recent (1977) anti-monopoly legislation of Japan. It seems unlikely that the committee had access to it having regard to the difficulties and delays generally experienced in getting English translations of Japanese material and the fact that despite my ongoing interest in the Japanese economy and development I did not get the said act of 1977 until quite recently. I may therefore briefly refer to it. I have myself referred to the anti-monopoly experiments in Japan, after the Allied Command, under American leadership, took over, following the termination of World War II (vide Indian Law Institute, Constitutional Developments since Independence. The Constitution and the Concentration of Economic Power, pp 607-629). I concerned myself, then, with Art 39(c) of the Constitution—the prevention of concentration of economic power to the common detriment, which is also set out in the preamble to the MRTP Act, 1969. Without repeating what I have stated therein, after laborious study and at great length, it will be sufficient to say that despite the above attempt to curb monopolies (Zabaitsu) in Japan the Japanese sentiment was against it, for it was then thought that what was good for the zabaitsu was good for Japan. But Japanese thinking has since changed significantly.

The new act (of 1977) has made provision for partition of giant enterprises in a monopolistic situation. The changes introduced cover imposition of surcharge on undue profits made by illegal cartels, restriction of stock-holding by giant corporations or by financial institutions (it is remarkable that it is only the Japanese act which puts restrictions on financial institutions) and completely bans various practices without dividing them into "restrictive" or "unfair". The practices prohibited include refusal to deal, discriminatory business terms and prices (unreasonably low or high prices without reasonable justification), unjustified luring away of customers from competitors, interference in business activities of competitors and making efforts to internally disrupt a competing company, exclusive dealing, vertical restrictive arrangements, unreasonable interference with appointment of officers in companies and banks, abuse of dominant bargaining position, etc. I have no time here to go into the very interesting details of this total approach to the entire problem.

Looking to the statutes which have been passed all over the globe, commencing with the US, the UK, Canada, Australia. New Zealand, Ireland, EEC (Treaty of Rome and the decisions rendered thereunder), etc it seems to me that the Japanese approach may be worth close study, I say so for the specific reason that despite the earlier Japanese efforts to resist the anti-monopoly law imposed under American domination, as aforesaid, as a means of establishing American imperialism in Japan, there has been a sea-change in Japanese thinking and approach, leading to more severe handling of monopolies, despite the long history of and belief in the beneficial aspects of larger houses. The Japanese legislation also seems to have the merit of much greater simplicity of design and forthrightness of purpose than any other I have come across.

the disillusionment

The new Japanese approach was probably due to the disillusionment, even in the United States, with larger houses and the kind of stranglehold they have on the nation; politically, economically or even socially. The American experience has been ably treated by an official of the FTC in a very illuminating article "Small Business and Big Monopoly: The Galbraithian 'Socialist Imperative' (by Charles E. Mueller in Anti-trust Law & Economics Review, Vol 10, No 1 1978,) I have no time here to go into the interesting insights; they seem to only reflect the already well known feature that (despite protestations by vested interests to the contrary) monopoly weakens responses to popular control. There is a growing awarness of monopoly permitting managements to relax all round (including R & D) which leads to obsolescence and of the "lean and hungry", as the smallar units are called, largely displaying greater initiative and producing better innovations.

Protagonists of multinationals, however, seem to continue to propagate enterprises having to be big enough for ensuring development at least in developing countries. So far as India is concerned the approach has been clearly indicated, as stated above, both in the constitution and the MRTP Act, 1969.

It may be useful for me, nonetheless to take this occasion to indicate briefly the kind of newly acquired insights we have in the matter of adopting foreign technology, even regardless of health and pollution hazards. These have been sharply indicated by Lawless in his recent book "Technology and Social Shock". Thirty-nine cases of technological innovations were studied. Among those that may interest consumers is the one relating to HCL, a component of several hundreds of cosmetics and detergents; this is found to cause brain damage especially in childeren. This is a fact which our mothers should beware of when they not only liberally apply cosmetics on themselves and to their babies thus allowing the baby put its own hand (smeared with such material) into its mouth or kiss the mother!

The cost of anti-pollution measures, technologically feasible, are generally avoided by manufacturers. I have no time here to go into instances which seem to abound even in India. As a sample of the attitude of management of industry in such cases I may only refer to what Mr Fernandez, who was until recently an official serving our government (he was Director of Bureau of Public Enterprises also) but is now UN Adviser to the Centre for Public Enterprises in Developing Countries, Yugoslavia, said when he addressed the World Management Congress held at Delhi recently:

"Last month a most astonishing battle has commenced in Britain where a company running Britain's biggest toxic waste dump is being hauled up for having put more poisons into the dump than was permitted under its existing licence. The astonishing part of the story is that the company challenged the right of local authorities to place restraints. While admitting that they have in fact dumped more poisons than permissible under the licence, they claim that they have been doing so for many years and therefore have gained the prescriptive right to continue. This would of course provide a magnificent defence for Jack the Ripper who, after having committed over 43 brutal murders, could claim the prescriptive right to continue his interesting profession!"

I could do no more here than indicate the broad approaches to the entire area of consumer safety and protection and only briefly refer to the experience of a few other countries. The upshot of all this is only to stress the great importance, vastly greater than realised hitherto, of the duty to protect the consumer and the role that voluntary organizations, like the Indian Federation of Consumer Organizations, can play today.

Education in the sixth Plan

Jandhyala B.G. Tilak

Elementary education has not received the attention it deserves in the post-independence period with the result that we have more illiterates among us today than ever before. In the draft sixth Plan, says the author who is associated with the Institute of Economic Growth, 46 per cent of the total resources allocated to education are being set apart for elementary education which appears rational. In the context of this discussion reference may be made to the draft of the government's new education policy which was placed before parliament recently and is reproduced in the Records and Statistics section in this issue.

THE MORE than hundred million boys and girls going to schools and colleges in the country today represent a number larger than the population of several countries of the world. In 1950-51 roughly one in three of the primary school age group (6-11) (Table I), one in ten of the middle school age group (11-14), and one in 20 of the high school age group (14-17) were enrolled in schools. Less than one per cent of the corresponding age group were in higher institutions. In 1951 the total expenditure on education was Rs 1140 million (1.2 per cent of national income), The percentage of literacy was 16.6. In 1975 approximately four in every five children of the primary school age group, one out of three in the middle school age group, one in every five in high school age group and 5 to 6 per cent of the relevant age group at higher level were enrolled in schools and colleges. The total expenditure on education is about Rs 18 billion (3 per cent of national income). The rate of literacy in 1971 was 29.3 per cent (Table II).

Thus there is a remarkable growth in education. Yet about 70 per cent of the population is still illiterate; even after 30 years of independence the goal of universal elementary education which was to be achieved within ten years after the constitution was adopted in 1951 (i.e., by 1961), is a far cry—only 69 per cent of the children in the age-group of 6-14 were in elementary schools (1977-78). The picture is worse in rural areas, among females and among the backward castes. Education at secondary and apex level also suffers from several weaknesses. But the problems concerned with primary education and literacy programmes are of higher importance particularly with 387 million illiterates (according to 1971 census). In fact we had more illiterates in 1971 than in 1961 with an addition of more than 53 million during the decade, and 86 million during the two decades since the inception of planning in the country in 1951. Even though the rate of literacy has increased from 16.6 in 1951 to 23.9 in 1961 and 29.3 in 1971, the faster growth of population has pushed the country further backwards with larger numbers of illiterates. Thus both elementary education and growth in literacy suggest that mass education was not given adequate attention in the post-independence period.

Any idea of educational planning will be incomplete if we ignore two other aspects : (a) rate of return to education, and (b) educated unemployment.

Several studies on Indian education found that rate of return to elementary education is higher than the rates to secondary and higher education. Estimates of rates of return to education of one of the important studies (Blaug *et al*, 1969) are presented in Table III.

The rates of return suggest that there

is under-investment in primary and middle education.

Unemployment which is increasing from year to year is a wastage of human resources; educated unemployment is a bigger wastage, since education involves huge private and public investments. Table IV gives an idea of unemployment in the country.

When the absorptive capacity of the economy does not increase, it is not rational to increase production in the educational industry. So there is an urgent need of checking the growth of enrolments in education particularly at higher levels.

With the stock of educational situation as it has developed over the last three decades let us evaluate the draft 1978-83 plan (which for practical purposes can be called the sixth Plan, even though technically it is not correct).

TABLE I

Elementary Education in India (Classes I-VIII)

(Figures in million)

	Boys	Girls	Total
1950-51	16.4	5.9	22.3
	(47)	(18)	(32)
1955-56	20.9	8.5	29.4
	(55)	(23)	(40)
1960-61	28.7	13.0	41.7
	(65)	(31)	(49)
1965-66	39.9	21.1	61.0
	(78)	(43)	(61)
1968-69	43.2	23.7	66.9
	(79)	(46)	(63)
1973-74	50.5	28.9	79.4
	(82)	(50)	(67)
1977-78	56.0	34.0	90.0
	(83)	(54)	(69)
1982-83*	—	—	122.0
			(90)

*Target

Note: Figures in parentheses are percentages to the population in the age group 6-14.

Sources: Naik (1975), and *Draft Five Year Plan, 1978-83*

The major thrust of the sixth Plan is on (1) adult education programme; (2) universalisation of elementary education; and (3) education in rural areas and among weaker sections.

adult education

Adult education programmes have been neglected in the post-independence period and have generally received about one per cent of the Plan outlays on education. For example, in the second Plan one per cent of the total educational expenditure was on adult education ; it was 0.3 per cent in the third Plan, one per cent in the fourth Plan, and in the fifth Plan also only one per cent was allocated.

J.P. Naik (1974) summarised our 'half-hearted' efforts with respect to adult education programmes : "Throughout the post-independence period, we have been spending less than one per cent of the total educational expenditure on adult literacy classes and making only about half a million people literate every year. Adult education proper which can be given with or without formal literacy was not even attempted" (Pp 4-5). Naik also gives the rationale of this programme: "The investment required in this programme is so small (it costs about Rs 30-40 even at the present level of prices to make an adult literate) and it makes so fundamental a difference to the individual and to society as a whole that, from the cost-benefit point of view, it would be difficult to conceive of so economical a method of social transformation" (p 4). The Planning Commission clearly realised the importance of the adult education programme. Two hundred crore rupees (10 per cent of the total) have been allocated to adult education programme in the sixth Plan, as against Rs 9 crores (one per cent) anticipated during 1974-78, and now it is proposed to cover 650 lakh illiterates during the five years—15 lakhs in the first year, 45 lakhs in the second year, 90 lakhs in the third year, 180 lakhs in the fourth and 320 lakhs in the fifth and the final year. A National Board of Adult Education has been established at the centre and suitable agencies at the state, district, block and local levels will be set up to guide the programme. The draft plan also clearly presented the scheme of the programme.

TABLE II

Literacy in India

	Number of literates in millions	Rate of literacy (%)	Number of illitrates in millions	Rate of illiteracy (%)
1951	60	16.6	301	83.4
1961	105	23.9	334	76.1
1971	161	29.3	387	70.7

Source: 1971 Census

TABLE III

Rates of Return to Education

Level of education	Private	Social
Primary over illiterate	18.7	15.2
Middle over primary	16.1	14.2
Matric/secondary over middle	11.9	10.5
First degree (G) over matric	10.4	6.9

Source: Mark Blaug et al (1969)

Fortysix per cent of the total educational outlay (Rs 900 crores) has been allocated to elementary education. This is again another unprecedented diversion of resources. Elementary education is aimed to be universalised within ten years i.e., by 1988. By the end of the sixth Plan it is aimed to achieve 90 per cent enrolment ratio at the elementary level ; it means an additional 320 lakh children during the sixth Plan period would be going to schools. The draft also proposes among several things (a) the use of 'average attendence' as the basis instead of enrolment, (b) adoption of multiple-entry system instead of single-point entry system, and (c) non-formal continuation education (part-time). These three proposals, if implemented well, should correct the several weaknesses of the existing system, such as wastage due to high rates of drop-outs, low 'participation rates' in education because of high 'foregone earnings' of the pupils, etc.

Another important proposal of the sixth Plan is regarding educational development in rural areas, and among weaker sections such as scheduled castes/tribes, girls and children belonging to landless agricultural labourers. It has been clearly stated that while preparing plans for location of new schools, special consideration will be given to the rural areas. To encourage educational development among weaker sections, several provisions have been proposed like appointment of more women teachers, free supply of books and clothing, mid-day meals, establishment of *ashram* schools especially for tribal children, intensive educational propaganda among the people, etc. Under the National Programme of Minimum Needs, special measures were also suggested for the development of education among the socio-economically weaker sections.

declining ratio

One more feature about the outlay for education which is worth noting is that outlay for education as a per cent of the total plan outlay has been gradually declining. Expenditure on education as a per cent of total plan expenditure was 7.86 in the first Plan, 5.83 in the second, 6.87 in the third, 5.0 in the fourth and 3.27 in the fifth Plan. The figure is as low as 2.8 in the sixth Plan, even though it is double the anticipated fifth Plan expenditure on education in absolute terms. But one need not worry if we have an integrated look at the Plan and the non-plan expenditures. The non-plan expenditure increased at a growth rate of 12 per cent per annum during the last 10 years. Table VII presents the growth of Plan and non-plan expenditure on education in the post-independence period.

It can be seen that the share of the non-plan expenditure is gradually increasing in the total expenditure on education.

In the sixth Plan 46 per cent of the total resources for education are allocated

TABLE IV

Unemployment in India

(Figures in lakhs)

	Total unemployed	Educated unemployed			
		Total	Matric/ Hr. Secy.	Graduates & above	
				General	Technical
As at Dec 31					
1961	18.3	5.9	5.3	0.5	Negl.
1966	26.2	9.2	8.2	0.9	0.05
1971	51.0	22.9	19.0	3.3	0.60
1975	93.3	48.1	38.7	9.0	0.40

Source : B. L. Agarwal (1977)

TABLE V

Expenditure/Outlay on Adult Education in Indian Plans

	Expenditure/ Outlay (Rs in crores)	% to total expenditure on education
First Plan	5	3.3
Second Plan	4	1.5
Third Plan	3	0.5
Interregnum	2	1.0
Fourth Plan	5	1.6
Fifth Plan	18	1.4
Sixth Plan	200	10.2

Source: *Five Year Plan* (Different volumes)

TABLE VI

Plan and Non-Plan Expenditure on Education

(Rs in crores)

	Plan expenditure	Non-plan expenditure	Total
1950-51	20(28)	51(72)	71(100)
1960-61	90(38)	144(62)	234(100)
1965-66	178(41)	259(59)	437(100)
1970-71	115(14)	731(86)	846(100)
1973-74	225(17)	1086(83)	1311(100)
1977-78	324(14)	1991(86)	2315(100)
1978-79*	413(16)	2245(84)	2658(100)

*Estimate

Source: *Draft Five-Year Plan, 1978-83*; Vol 1 and Vol 4 to elementary education, 10 per cent to the adult education and the remaining 44 per cent of the resources are shared by the other levels/types—secondary education 15 per cent, university education 14 per cent, technical education seven per cent and other programmes eight per cent. Thus substantial resources have been diverted from higher and secondary levels to elementary education and adult education. Obviously higher educational institutions will have little expansion. This is what has been pleaded by several educationists for a long time.

Thus looking at the educational situation as it has developed in our country during the last three decades the provision for education in the sixth Plan looks to be more rational. But the success of the plan lies in its implementation.

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TABLE VII

Outlay and Expenditure on Education

(Rs crores)

	First Plan	Second Plan	Third Plan	Interregnum	Fourth Plan	Fifth Plan	Sixth Plan†
1. Elementary*	85	95	178	65.3	234.7	410	900
	(56)	(35)	(30)	(20)	(28.5)	(32)	(46)
2. Secondary	20	51	103	52.6	118.3	250	300
	(13)	(19)	(18)	(16)	(14.4)	(19)	(15)
3. University	14	48	87	77.0	183.5	292	265
	(9)	(18)	(15)	(24)	(22.3)	(23)	(14)
4. Other (general)**	14	30	116	46	161.0	140	340
	(9)	(10)	(16)	(15)	(19.6)	(10)	(18)
Total—General	133	224	484	240.8	697.3	1092	1785
	(87)	(82)	(79)	(75)	(84.8)	(85)	(93)
5. Technical	20	49	125	80.7	125.4	156	150
	(13)	(18)	(21)	(25)	(15.2)	(12)	(7)
Grand Total	153	273	589	321.5	822.7	1285	1985
	(100)	(100)	(100)	(100)	(100)	(100)	(100)

* Including Pre-school education ** Includes teacher education, social education (youth services), cultural programmes etc. †Draft

Note Figures in brackets are percentages to total

Source : *Education in the Fifth Five Year Plan 1974-79*, *Fith Five Year Plan, 1974-79* and *Draft Five Year Plan 1978-83*.

TRADE WINDS

Central Loans

THE GOVERNMENT of India on May 10, announced the first instalment of its borrowing programme for 1979-80 with the issue of three new loans for a total of Rs 500 crores. All these loans are issued at par.

The new loans are : (I) $6\frac{1}{4}$ per cent issue 1989, (II) $6\frac{1}{2}$ per cent loan 1995 and (III) 7 per cent issue 2009.

The subscriptions for these loans will be received in cash on May 25 and May 26, but the lists may be closed earlier without notice as soon as the total subscription amounts to Rs 500 crores. As usual, the government reserves the right to retain subscriptions up to 10 per cent in excess of the notified amout.

Market Optimism

According to gilt-edged market circles, the response to the new loans will be very good because of the attractive terms offered. As the government is offering an interest of seven per cent on a 30-year loan, it is feared that long-dated issues like 6.75 per cent 2007 and 6.75 per cent 2006 will suffer a set-back in their quotations.

At the current level of market prices, $4\frac{3}{4}$ per cent 1989 and 6 per cent 1989 issues offer a redemption yield of 5.99 per cent, whereas the new 10-year loan gives a redemption yield of 6.25 per cent. Similarly, the $5\frac{1}{2}$ per cent 1995 and $6\frac{1}{4}$ per cent 1995 now offer a redemption yield of 6.21 per cent whereas the redemption yield is 6.50 per cent in the case of the new 16-year loan.

Paddy Procurement Price

A procurement price of Rs 90 a quintal for paddy in the "common" group has been recommended in the Agricultural Price Commission (APC) report on the price policy for kharif cereals in the 1979-80 marketing season. This is an increase of Rs 5 over last year's price. The procurement price for jowar, bajra, maize and ragi should be maintained at Rs 85 a quintal. The APC has stated that mechanical driers and cleaners should be provided in large grain markets. Transport facilities for farm surpluses should be reviewed. It has also suggested that the ministry of Agriculture and Irrigation appoint a task force to delineate marginal and sub-marginal areas in rice-farming systems and examine how the land use pattern in these areas could be further rationalised.

Support Price for Tobacco

The Agricultural Prices Commission (APC) has recommended a minimum support price of Rs 7.50 per kg for farm grade F 2 of VFC tobacco for the 1978-79 crop. The support prices for other grades of VFC tobacco have been recommended to be determined in the light of the normal market price differentials. APC has recommended that such strains as are particularly suited to the light textured soils be developed and only the area under light soil tobacco be increased without increasing the total area under VFC tobacco.

It has also recommended that the eight farm grades evolved by the Tobacco Board should be statutorily enforced at the grower's level backed by appropriation certification of the quality by an official agency as is done in the case of Agmark grades. Further, priority should be accorded to the establishment of integrated infrastructure in the form of storage, warehousing and re-drying facilities in such a manner as would make them easily accessible to the growers.

Engineering Goods Drawback Rates

The duty drawback rates for a number of engineering items have been revised upwards. The items include auto bicycle tube valves, power generating machinery and its parts, PVC insulated copper cables, railway track material, seamless pipes and tubes, steel bars and rods, steel wire products, nuts and bolts, steel wire ropes, sanitory and bathroom fittings and electrical transmission line towers. The new rates will be in force with retrospective effect—October 25, 1979.

In the case of electrical transmission line towers (fabricated steel structurals galvanised) the new rate is Rs 581 per tonne. Against this the old rate was Rs 533 per tonne. Likewise, for expanded metal the new rate is Rs 968 per tonne against Rs 902 per tonne earlier.

The new rates for seamless pipes and tubes—ungalvanised—are (with old rates given in bracket) : Rs 575 per tonne (Rs 528 per tonne). For pipes and tubes with wall thickness more than 5 mm, other tha seamless and those made fro skelp — galvanised — the ne rates are Rs 581 per ton (Rs 533 per tonne).

India Wasting GSP?

According to a West Germa source, India last year did n manage to make full use the tariff concessions grante by the EEC countries und the scheme of General Syste of Preferences. Indian expor to Germany under this schem only accounted for 32 per ce of the total Indian exports Germany. On the other sid German imports from Indi under GSP were just 6.2 pe cent of the total Germa imports under GSP from a the beneficiary developin countries, which amounted DM 4 billion equal to abou Rs 17 billion. The leadin country is Yugoslavia with percentage share of 14.4 pe cent.

Only in case eight item India made full use of duty free imports into EEC, i 1978, as against 11 in 197 13 in 1976 and 14 in 1975, b utilising the full quantit ceiling amount (butoir) impos ed by the EEC countries o India. Here the leadin country is South Korea whic utilised the imposed butoir for 45 items.

RBI Directions Withdrawn

The Reserve Bank has withdrawn the Miscellaneous Non-Banking Companies (Reserv Bank) Directions 1977, insofa as they apply to companie conducting prize chits o benefit schemes in all state except Jammu and Kashmir This withdrawal is a sequel t the enactment of the Priz Chits and Money Circulatio Schemes (Banning) Act, 1978 which imposes a total ban o the promotion or conduct of any prize chits or benefit schemes. The partial withdrawal will not, however, affect in any way the obligation or liability already incurred or penalty or forfeiture or punishment incurred in respect of any contravention before such withdrawal.

Apex Financial Institution

The Reserve Bank has constituted a working group with Mr W.S. Tambe, executive director, Reserve Bank of India, as chairman to examine the question of setting up an apex financial institution for meeting the credit requirements of the small and decentralised sector of industry. The terms of reference of the working group will be as follows: To suggest ways and means for increasing the credit flow to meet the requirements of the small and decentralised sector of industry, and in this context, to assess the possibility of setting up a separate financial agency for this purpose. To consider matters of both legislative and administrative character (such as whether any such financial agency should be independent or should operate under the aegis of the Reserve Bank and if so, in what manner), which will need to be sorted out prior to the actual establishment of a new financial agency. To examine whether any such agency should cover the entire gamut of the small-scale sector, or agencies need to be established to meet the credit requirements of the small-scale sector and village and cottage industries separately. To determine the scope of activities such as refinancing operations and marketing operations to be entrusted to the new financial agency. To determine the linkage between the proposed financial agency and the existing credit channels such as commercial banks and state financial corporations.

Besides the chairman, the working group will consist of : Dr R.K. Vepa (Development Commissioner, Small-Scale Industries, government of India), Mr R. Srinivasan (Development Commissioner, Handlooms, government of India), Mr Bharat Sahay (Development Commissioner, Handicrafts, government of India), Mr B. C. Patnaik (Director, ministry of Finance, government of India), Dr S.A. Dave (Executive Director, Industrial Development Bank of India), Mr D. C. Gupta (Executive Director, Punjab National Bank), Mr K. Ramakrishnan (Chief Officer, Small Industries & Small Business Banking Department, State Bank of India) and Dr P.D. Ojha (Reserve Bank) who is the member secretary. The working group is expected to submit its report to the government as early as possible, preferably by the end of June 1979. The secretariat will be provided by the Industrial Finance Department, Reserve Bank of India.

Panel on Government Expenditure

Finance minister, Mr Charan Singh recently announced the constitution of the commission on government expenditure, with wide terms of reference headed by Mr S.N. Mishra, member of Lok Sabha. The commission will not only enquire into the economies that could be effected but also the arrangements for speedy execution of major projects and programmes.

The need for such commission was expressed by the Finance minister in his budget speech. Concern was felt at the growing volume of government expenditure and the need to inquire into the present system of controls on expenditure.

The names of the other members of the commission will be announced later. The commission will submit its reports in parts and the final report within a year.

Terms of Reference

The terms of the commission are: (a) Identify areas in which economy can be effected without impairing efficiency or adversely affecting growth. (b) Identify activities which are not essential or where there is overlapping of functions between various departments of the government of India or between activities of the central government and those of the state governments and suggest measures for phasing out by rationalising such activities. (c) Review the present arrangements for creation of posts and staffing and suggest measures for containing expenditure on staff within reasonable limits. (d) Review the existing arrangements for planning, execution, monitoring and evaluation of major projects and programmes and make suitable recommendations so that without detracting from accountability, the decision making process is expedited, cost escalations and delays are avoided and optimum benefit is derived from the expenditure incurred. (e) Review present arrangements for sanctioning and controlling expenditure and suggest how these arrangements can be improved to make financial control more effective and at the same time implementation of projects speedier; and (f) Consider any other relevant matter and make suitable recommendations.

Boeing for IA

Indian Airlines recenty signed an agreement with the Boeing Company for the purchase of seven more Boeing 737 to augment its fleet. The government has also approved the purchase of two more Airbus for Indian Airlines.

The agreement was signed by IA managing director, Mr G. D. Mathur and Mr J. J. Mcloughlin on behalf of the Boeing Company. The total project cost for Boeings, including spares, is Rs 91.42 crores, the cost of the seven aircraft being Rs 64 crores. One of these Boeings will be a replacement for the aircraft which met with an accident at Hyderabad in December last year. In addition to these aircraft, the sixth Airbus, earlier ordered by the airlines will join its fleet in October this year, according to an IA press release.

The seven Boeing-737s and two Airbus aircraft are scheduled for delivery in mid-1980. The remaining four Boeing aircraft will join the airlines fleet by September 1981.

Trade with Romania

The trade turnover between India and Romania can be raised to $1 billion in a couple of years, according to the Romanian ambassador to India, Dr D. Niculescu. He was speaking at a meeting organised by the Indian Council of Foreign Trade and the Maharashtra Chamber of Commerce.

The Romanian exports to India are presently of Rs 100 crores, whereas the Indian exports to that country are worth Rs 80 crores. A step up in the trade ties is a very actual possibility, and the Indian delegation, visiting Bucharest in June for the joint economic commission meeting, would explore this objective.

Romania is very keen on setting up high technology joint ventures with India, especially in the Third World.

Discussions are on for Romania setting up industrial projects in India, such as production of tractors, trucks, buses, machine tools, some electronic parts and equipment for the computers, setting up of a hides and skins processing unit, thermal power stations, 650 HP diesel engines etc.

Mr Niculescu said Romania could supply fertilisers, chemicals, synthetic fibres, newsprint, equipment for cement factories, ships, equipment for oil processing, electrical motors, road building and earth-moving equipment in greater quantities.

Engineering Team to China

The Association of Indian Engineering Industry (AIEI) has sponsored a 5-member mission of leading engineering companies in India, representing four different sectors of industry, to visit the Canton Fair for a week, and to renew and develop bilateral trade between the engineering companies in India and China. This mission left for China on May 9, 1979. The association was first associated in renewal of trade relations between the two countries with a visit to the Canton Fair in April, 1977. As a second step AIEI had invited a delegation to visit India during the second Indian Engineering Trade Fair in February, 1978. A delegation from China comprising 16 members visited India and had an opportunity to see India's technological development. Mr R. B. Baheti, Managing Director, Steel Tubes of India, is the leader of the mission. Other members of the mission are: Mr R. P. Khator, General Manager, Bombay Oxygen Corpn Ltd, Mr K. S. Garg, Works Manager, Electrosteel Casting Ltd, Mr R Srinivasan Director, Widia (India) Ltd, Mr A. C. Patankar, Secretary, Association of Indian Engineering Industry (Western Region)

The objectives of the mission are: (1) To foster the growth of bilateral trade relations between the two countries and increasing the area of cooperation. (2) To establish long term contacts with Chinese engineering industry with a view to generating substantial business on a regular basis. (2) To identify items with a potential for export to China. (4) To study the capacity of Chinese engineering industry with a view to importing items required in India. (5) To follow through contacts already established and opportunity areas identified for increasing trade relations between the two countries by the previous AIEI mission.

Rising Cost of Projects

Insufficient preparatory work has led to a four-fold increase in the estimated costs of the Salal hydroelectric and Beas projects, according to the Comptroller and Auditor General's report for 1977-78.

The Salal project estimate had increased from Rs 55.15 crores in 1968 to Rs 222.15 crores in 1976. The first unit of the project, is expected to be completed and commissioned by 1985-86.

Similarly, the Beas estimate increased from Rs 172.01 crores in 1959-61 to Rs 715.31 crores in 1976. The report notes that the delay of two to four years in the completion of various items of the Beas-Sutlej link and of one to four years in the completion of various items of the Beas dam. Although Rs 67.23 lakh was spent on construction of 4,078 kutcha houses for the rehabilitation of displaced persons from the Beas project and Rs 40.72 lakhs on providing other amenities, till September, 1978, only 85 houses had actually been occupted, the report says.

Mazagon Builds Offshore Platforms

The Mazagon Docks Ltd (MDL) has undertaken the manufacture of offshore platforms for the first time in India. The first offshore platform fabricated by MDL was delivered to the Oil and Natural Gas Commission (ONGC), on May, 4. The second will be delivered shortly. The MDL has programme for building six such platforms, to begin with, for the ONGC.

In this sophisticated work, the indigenous manufacturers have made a significant contribution. For example, items like pile rack, welding equipment and certain cranes were manufactured indigenously. However, certain sophisticated items like heavy duty crane, heavy bending rolls and profile-cutting mechines had to be imported. The total import content in the capital expenditure of this project is of the order of 27 per cent.

Though the tubulars for the first two platforms have been imported, the Mazagon Docks will be manufacturing tubulars for the third and subsequent platforms. The import content of 19 per cent in the first two platforms, will be only 15 per cent in the third platform a will be further reduced in su sequent platforms. The Maz gon Docks entered into a agreement with M/s ETPM France for technical know-ho and assistance in the constru tion of the first two platform which have been designed b the Engineers India Limited.

Indian Airlines Fares

Indian Airlines proposes t increase its fares and freigh rates by nearly 15 per cent the minister of Tourism an Civil Aviation, Mr P.L. Kau shik told Rajya Sabha recent ly. The rationalisation of th fare structure was being don due to substantial increase i sales tax and excise duty o aviation fuel, higher prices o aircraft spares and increase i landing fees. He said the seven per cent increase in Air-India's fare and freight was due t escalation in the fuel prices.

Deficit UP Budget

The Uttar Pradesh budget for 1979-80 shows a deficit of Rs 85.41 crores. The total receipts for 1979-80 are estimated at Rs 1780.89 crores. The total expenditure for 1979-80 is estimated at Rs 1906.33 crores. Of the Rs 125.44 crores deficit in the revenue expenditure and revenue receipts, the state government expects to cover Rs 75 crores from public accounts. This leaves an overall deficit of Rs 85.41 crores, including a deficit of Rs 35.16 crores in the opening balance.

Presenting the budget in the state vidhan sabha, Finance minister, Mr Madhukar Dighe spelled out certatn measures to net a revenue of Rs 50.20 crores in the entire year and Rs 37.50 crores in the remaining months of the current year. Efforts would also be made to augment resources to the tune of about Rs 20 crores through realisation of government dues and economy is expenditure. This was expected to reduce the overall uncovered deficit of Rs 27.91 crores at the time of the year, said Mr Dighe.

Prices of Pesticides

The Agriculture minister, Mr S.S. Barnala, stated in Lok Sabha recently that the government would have to consider imposing controls on pesticides prices if efforts to bring them down did not succeed. Replying to a question, the minister said prices of some pesticides had risen and this was believed to be due to a rise in the prices of raw material and labour costs. Mr Barnala said the Pesticides Association had given an assurance that it would exercise informal voluntary control over prices. If these efforts did not succeed, the government would have to consider imposition of price control. He said the government was keen to increase the availability of pesticides, as a price hike was generally a concomitant to a situation of scarcity. The government, therefore, was also encouraging the installation of additional capacity.

Expanding Coal Output

Chief executives of the nationalised coalfieds met recently to assess the need for inputs required to achieve the targeted production of 118 million tonnes during the current year. Energy minister, Mr P. Ramachandran presided.

It was decided at the meeting that a monitoring cell be set up to coordinate the supply of various inputs to the coalfields. The requirement of wagons by various coalfields to meet the consumers demand also came up for discussion.

The low availability of wagons during 1978-79 had limited the railway movement of coal from Central Coalfields (CCL) to the tune of 9.4 million tonnes as against the projected movement of 11.40 million tonnes. It had caused the mounting of coal stocks at the pithead of CCL collieries to over five million tonnes, more than one-third of the total pithead stocks in the country. The value of the CCL pithead stocks is about Rs 35 crores.

Commodity Aid from EEC

The European Economic Community (EEC) will give aid of 720,500 tonnes of cereals, 150,000 tonnes of powdered milk and 45,000 tonnes of butter oil to developing countries, including India, in 1979. EEC Foreign ministers meeting recently decided to give Bangladesh a direct grant of 100,000 tonnes of cereals, Egypt 90,000 tonnes, Vietnam 86,000 tonnes, Pakistan 50,000 tonnes, Sri Lanka 19,000 tonnes, Mozambique 16,500 tonnes and Ethiopia and Somalia 15,000 tonnes each.

India will receive a direct grant of 31,000 tonnes of powdered milk and 13,000 tonnes of butter oil. Vietnam will also get 15,000 tonnes of powdered milk and 4,000 tonnes of butter oil, while Egypt will get 5,000 tonnes of powdered milk and 2,800 tonnes of butter oil, Bangladesh will get 3,000 tonnes of butter oil.

IFCI

The Industrial Finance Corporation of India (IFCI) has decided to increase its paid-up capital from Rs 10 crores to Rs 15 crores by the issue of 10,000 shares of Rs 5,000 each at par. The increased capital will enable the corporation to meet its expanding and diversified activities. The central government has approved the augmentation of IFCI's resourcesand has guaranteed the payment of the minimum dividend of six per cent on the shares. The new shares shall rank *pari passu* in all respects with the existing shares in the capital of IFCI. The shares of the corporation are deemed to be included among the securities enumerated in Section 20 of the Indian Trusts Act, 1882 and are also deemed to be approved securities for the purposes of Insurance Act, 1938 and the Banking Regulations Act, 1938 and the Banking Regulations Act, 1949.

ITI Expansion

The Indian Telephone Industries (ITI) has drawn up plans for further expansion to meet the increasing demand of its customers during the sixth plan. To implement these objectives, the Planning Commission has approved an outlay of Rs 84.19 crores to ITI during the plan. This covers Rs 30.54 crore for expansion and modernisation of existing units, Rs 40.98 crores for new schemes and Rs 12.67 crores for research and development.

The new schemes envisage setting up of the third transmission unit for the manufacture of long distance equipment and the third switching unit for manufacture of crossbar type of switching equipment. With the launching of this plan, the production of the switching equipment will be further augmented to supply 15.67 lakh lines valued at Rs 300 crores and consisting of 11.10 lakh lines of the strowger type, 3.45 lakh lines of the crossbar type and 1.12 lakh lines of the electronic type.

The manufacture of telephone instruments would also be increased to 28.50 lakh during the plan valued at Rs 85 crores for meeting the full requirements of post and telegraph and other users.

ITI also plans to manufacture Rs 220-crore worth of long distance transmission equipment which will be substantially higher compared with the previous plan programmes.

Cochin Stock Exchange

The government has decided to grant recognition to the Cochin Stock Exchange for a period of five years commencing on May 10 in respect of contract in securties. It has also decided to declare section 13 of the act to apply to the area covered by the Ernakulam district of Kerala state with effect from the same date.

As a result of the application of section 13 of the Securities Contracts (Regulation) Act, 1956, every contract in securities in this area which is entered into after May 10, otherwise than between the members of the Cochin Stock Exchange, or through or with such members shall be illegal.

The Cochin Stock Exchange is the ninth recognised stock exchange in the country set up under he Securities Contracts (Regulation) Act, 1956.

New Fertilizer Project

The central cabinet has accorded its formal approval to the setting up of two major fertiliser plants at Thal-Vaishet in Maharashtra. Both the units—two sets of plants—will be based on natural gas available from Bombay High. An official spokesman stated that work on the implementation of the Rs 511.35 crores project would start from August 1 this year. The first set of ammonia and urea plants are likely to be completed in three years and the second set six months later. However, commercial production is likely to start by the end of 1982. The cabinet also cleared the proposal to extend the Namrup fertiliser factory.

Support Price for Tur

The government has fixed support prices for 1979-80 for fair average quality of tur (arhar) at Rs 165 per quintal and for moong and urad at Rs 175 per quintal. Central Agriculture minister, Mr S.S. Barnala announced that the support prices of these pulses had been fixed on the recommendations of the Agricultural Prices Commission. The minister pointed out that the support prices of Rs 165 per quintal and Rs 175 per quintal for tur and moong respectively were higher by Rs 10 per quintal than the support prices announced for the 1978-79 marketing season. No support prices for urad was announced for 1978-79 marketing season,

Names in the News

Mr Nimai Kumar Mitra took over as the managing director, Durgapur Steel Plnat on April 30, 1979, from Mr P.K. Paul, who retired after 37 years of distinguished service in steel industry both in public and private sectors.

Mr S.K. Mohile has been elected as chairman of the Association of Indian Engineering Industry (Western Region). Mr Mohile who is the managing director of Crompton Greaves Ltd, has a wide experience of the electrical industry.

Mr Ranganath J. Shirur has been unanimously elected chairman of Public Relations Society of India (Tamil Nadu Chapter) for the year 1979-80. He is the public relations manager of Tube Investments of India Limited, Madras,

Mr Ranganath J. Shirur

Mrs Adity Syam, Public Relations Manager, I.T.C. Limited has been elected chairman, Public Relations Society of India, Calcutta chapter for 1979-80. She is also a member of International Public Relation Association and PR subcommitttee of Bengal Chamber of Commerce and Industry.

Mrs Adity Syam

Mr M. Ramaswamy has joined as executive director (finance) in the State Trading Corporation. Mr Ramaswamy has held various important assignments in public sector undertakings.

Mr A.C. Bose has taken over as director (finance) of Minerals and Metals Trading Corporation. Mr Bose joined the Indian Audit & Accounts Service in 1950. He was deputy secretary and later director of planning in the ministry of Defence, chairman, Manpower Planning Committee of the Indian Airlines.

Mr S. Hariharan, till recently zonal manager of Life Insurance Corporation of India, southern zone, Madras, has taken over as executive director (investments) at central office, Bombay.

Mr J.M. Kaul, Public Relations manager of Indian Oxygen Limited (IOL) and president of the Public Relations Society of India, is leading the Indian delegation to the 8th Public Relations World Congress being held later this month in London. The theme of the Congress is "Challenges of a Changing World".

Mr M.K. Modi, managing direcror of Modi Arc Electrodes Co has been elected chairman of the Association of Indian Engineering Industry (Northern Region) for 1979-80.

Mr S.S. Bhowania, managing director of Indian Aluminium Cables Ltd has been elected president of Cable and Conductor Manufacturers Association of India for the year 1979-80.

Mr G. Naqshband has been appointed managing director of SITA World Travel (India) Private Limited. He is also the managing director of Indrama Pvt Ltd, a sister company of SITA.

Mr L. T. Karamchandani (Editor, Media India) has been elected chairman of the Public Relations Society of India, Delhi Chapter. **Mr V. C. Chopra** (National Productivity Council), **Mr N. D. Rajpal** (Alembic Chemical) and **Mrs F. C. Batra** (Triveni Engineering) have been elected vice president, secretary and treasurer, respectively.

Mr L. T. Karamchandani

Mr R. S. Mathur (Fertilizer Corporation of India), **Mr V. C. Tandon** (BHEL) and **Mr R. P. Agarwala** (Eastern Economist) are other members of the executive committee. **Mr K. R. Singh** (P R Consultant), **Mr S.P. Ghosh** (Punjab National Bank), **Mr Jayant Sen** (J. K. Organisation) and **Mr Suresh Verma** (Indian Express) are coopted members of the executive body.

COMPANY AFFAIRS

Century's Cement Project

Century Spinning and Manufacturing Company has received a letter of intent for setting up a large cement project with a capacity of one million tonnes per annum at Manikgarh in Chandarpur district of Maharashtra. The project is estimated to cost Rs 55 crores. Disclosing this, Mr S.K. Birla, a director, who presided over the annual meeting in Bombay recently in the absence of the chairman, Mr B.K. Birla, pointed out that the project would be financed largely from internal resources. The management proposes to start prospecting of limestones in the near future and would complete ordering of the plant and machinery in about a year. The project is expected to be completed within three years of commencing work on it. This would be the company's third cement project. Its first plant at Tilda with a capacity of six lakh tonnes was commissioned a couple of years ago. The second project at Maihar with a capacity of eight lakh tonnes is expected to commence production in the last quarter of 1979.

The company's pulp and paper project will also be ready by the end of 1981. The company has already finalised orders for machinery for about Rs 20 crores for the project. Mr Birla has said that the board would consider the question of bonus issue once the Maihar cement project commences production. This would be the proper time in view of the large investment commitments. He has said that the shareholders should have some patience since the question is to be considered in a few months. "The board would then be able to consider the question in proper perspective", he added. The company's reserves totalled nearly Rs 57 crores against the equity capital of Rs 10.65 crores at the end of 1978.

Good Performance

The company's performance so far during the current year is quite good with all its major divisions faring well with larger production and sales. According to Mr Birla, "The year 1979 will not be any way worse than 1978". Its sales during the first quarter of 1979 are placed about 15 per cent higher than those in the corresponding quarter of last year. The increase in sales has been largely due to higher despatches of cement following larger availability of wagons, and better offtake of textiles and rayon yarn. Its exports during the first quarter of the current year have been higher by 47 per cent compared to those in the comparable period of 1978 because of larger sales of textiles and rayon products.

The company's textiles division is faring well following larger demand. Its rayon division is also in better shape despite a small setback in sales of tyrecord earlier in the year on account of the problems faced by the tyre producing units. With the recent upward revision in cement prices, the company's cement division is expected to show better profitability. The revision in prices would offset the increase in costs, he added.

Wheels and Wheels

Thanks to the larger volumes of sales of tractor and commercial vehicle wheels, **Wheels India Limited**, registered an increased turnover of Rs 1.52 crores in the year ended December 31, 1978 as compared with Rs 1.25 crores in the previous year. The board of directors mentions in its annual report that the net profit, after providing for depreciation, investment allowance reserve and taxation, is Rs 69.74 lakhs. The corresponding figure for the year ended December 31, 1977 was Rs 44.65 lakhs. The board has recommended a higher dividend of 15 per cent (12 per cent), absorbing Rs 32.90 lakhs (Rs 26.32 lakhs). As against a paid-up capital of Rs 2.19 crores, the company has built up reserves and surplus of Rs 1.92 crores. Its output of wheels for commercial vehicles, passenger cars, jeeps, tractors and Defence requirements was 638,587 in 1978 and since its installed capacity is for 937,500 wheels of these descriptions, it is well-placed to take advantage of the prospective increases in the demand for its products as indicated by the rising trend in the turnover of the automobile industry, particularly in respect of commercial vehicles.

Sankey Wheels Limited has also reported an increase in turnover, from Rs 3.63 crores in the year ended December 31, 1977 to Rs 6.48 crores in the year ended December 31, 1978. Its output of car, jeep and truck wheels had improved from 160,332 to 252,896 in this period. However, this is about all the good news the board is able to give in its annual report. The trading result for the year shows a loss of Rs 2.86 lakhs and this loss is ascribed by the board mainly to unremunerative selling prices for the company's products.

Although the trading loss has been brought down sharply from Rs 25.33 lakhs in the previous year, it still remains true that the company has not been able to benefit to a satisfactory extent either from the improved demand from the automobile industry for wheels, or from its higher utilisation of its installed capacity.

Acute Imbalances

The explanation given by the board is that the major part of the cost increases, which was due to the increased cost of raw materials, could not be recovered by pricing action "due to acute imbalances between capacity and demand in the wheel industry". This justification is not good enough in the light of the performance of Wheels India. The truth is that Sankey Wheels is yet to become competitive through better management. Until this happens, its installed capacity of 600,000 wheels will remain grossly under-utilised and the company will continue to find it difficult to break even. The shareholders have so far not received even a single paisa by way of dividend and investors have naturally suffered a capital loss as well since the shares were steadily and sharply depreciating over the years, although they are now placed somewhat better at Rs 7.50 per share (Rs 10 paid-up).

Cyanamid

The offer of sale to the public of 653,924 equity shares of Rs 10 each at a premium of Rs 12 per share by the two existing shareholders of Cyanamid India—American Cynamid Co, USA and Atul Products Ltd, Ahmedabad—will open on June 4. The shares now offered for sale will confer on the transferees the right to any dividend which may be declared for the year ending November, 1979 and subsequent years. The total offer for sale is for 683,924 shares, of which 30,000 shares have been reserved for sale to the company's employees. After the offer for sale, the equity holding of American Cynamid will come down from 65 per cent to 55 per cent and of Atul Products from 35 per cent to 30 per cent. This will also enable the company to get its shares listed on the stock exchange.

Expansion Programme

The company is presently engaged in the manufacture of high technology products in drugs and pharmaceuticals and agro-chemicals. Although sales and profits of the drugs and pharmaceuticals division continue to exceed those of the agricultural division, this situation is expected to change following implementation of the company's substantial expansion programme of its activities in the field of agro-chemicals, for which it holds the necessary industrial licences. The company is setting up a plant for the manufacture of a variety of organo phosphates for agricultural inputs, production of which is expected to start within two years. The project cost of Rs 2 crores will be financed from self generated funds. Other expansion planned is in the field of fine chemicals, for which letters of intent or industrial licences have been obtained.

Warner-Hindustan Limited

The board of Warner-Hindustan Limited has presented a bright annual report in more senses than one. The report includes an illustrated feature on the growth of the company as an Indo-American joint venture in the field of pharmaceuticals, chemicals, toiletries, confectionery, consumer products and other allied manufactures. Incorporated in 1963, it went into full production in 1968, with employees numbering just 445. Today it has about 870 members on its staff of highly qualified technicians or managers. The feature narrates briefly the company's commitments and achievements in such essential fields as the manufacture of basic chemicals, drug intermediates and formulations of high quality of wide consumer acceptance. Reference is also made to its progress in exports and in the organization of R & D facilities.

In the financial year ended the November 30, 1978 the company effected higher net sales at Rs 14.38 crores as against Rs 11.79 crores in the previous year. After providing for depreciation, taxation and investment allowance, the net profit available for appropriation is Rs 69.57 lakhs (Rs 69.11 lakhs). The board has transferred to general reserve a sum of Rs 11.57 lakhs (Rs 10.28 lakhs) and has recommended a final dividend of five per cent per equity share, which is in addition to the two interim dividends of 10 per cent each which were paid in the course of the accounting year. The total dividend thus aggregates to 25 per cent, absorbing Rs 57.33 lakhs and has been maintained at the same rate as for the previous year. The preference shares of Rs 10 each numbering 300,000 were redeemed on May 15, 1978 and they now form a part of the unclassified shares in the authorized share capital of the company. The reserves and surplus total Rs 1.26 crores as against a paid up capital of Rs 2.29 crores.

While mentioning the uncertainties caused by the new drug policy adopted by the government, the board acknowledges that the year 1978 has been a good one both in respect of sales and profits, but with the pre-tax profit on pharmaceuticals continuing to be below 15 per cent of sales turnover.

Triveni Engineering

Triveni Engineering Works has shown a fall in sales for the year ended October 1978 to Rs 20.94 crores from Rs 22.72 crores last year. The gross profit also dropped to Rs 152.23 lakhs from Rs 171.96 lakhs in the previous year. A final equity dividend of five per cent has been proposed which together with a tax-free five per cent interim already paid makes a total of 10 per cent, the same as last year. A substantial portion of the final dividend is expected to be free of tax. After providing Rs 72.50 lakhs (Rs 65.04 lakhs) for depreciation, Rs 6.34 lakhs (Rs 10.65 lakhs) for investment allowance reserve and Rs 22 lakhs (Rs 34 lakhs) for taxation, there is a surplus of Rs 51.39 lakhs against Rs 62.27 lakhs. Equity and preferance dividend will absorb Rs 18.58 lakhs (Rs 18.38 lakhs). A sum of Rs 2 lakhs (Rs 2.08 lakhs) has been transferred to molasses fund and Rs 30.81 lakhs (Rs 41.81 lakhs) to general reserve.

The company has taken up an ambitious programme of modernisation and expansion. A new sugar factory is being established at Khatauli with a daily cane crushing capacity of 3,600 tonnes at a cost of Rs 5.50 crores. Proposals for raising the new sugar unit's capacity to 5,000 or 6,000 tonnes per day, establishment of a paper mill based on bagasse and a power alcohol plant based on molasses are under active consideration.

State Bank of Patiala

During the year ended December 31, 1978 State Bank of Patiala crossed the Rs 200 crore mark in deposits, showing a rise of Rs 40 crores in one year from Rs 180 crores to Rs 220 crores. The bank's advances including bills purchased and discounted increased from Rs 156.52 crores to Rs 177.47 crores at the end of 1978. The bank's advances to priority sectors viz agriculture, small-scale industries and small business during the year increased by 31.94 per cent. Such advances constituted 44.29 per cent of the total advances as against 37.98 per cent at the end of 1977, and thus exceeded the government's benchmark of 33.33 per cent to be achieved by the end of March 1979. Lendings to priority sectors including export finance constituted 47.08 per cent of the total advances at the end of 1978.

With a view to meeting the

manifold credit needs of villages, the bank has adopted 25 villages in the states of Punjab, Haryana and Himachal Pradesh for integrated rural development. Financial assistance extended to these villages for agricultural and allied activities and for rural industries aggregated Rs 55.83 lakhs at the end of 1978. With the opening of 26 branches during 1978, the branch network of the bank has increased to 307 in 11 states and two union territories. The rural character of the bank is reflected in the branch expansion during the year, as 50 per cent of the new branches were opened in rural areas thereby increasing its rural branch network to 115 at the end of 1978 as against 102 at the end of 1977. In order to shoulder its responsibilities as the lead bank in the districts of Patiala, Sangrur and Bhatinda special care was taken to increase the branch network in these districts. The branches in these districts constituted 30.29 per cent of the bank's total branch network.

NOCIL

National Organic Chemical Industries (NOCIL), proposes to participate in a big way in a petrochemical complex that may be set up using the Bombay High gas. It has shown interest in the use of by-products of the associated gas from Bombay High. It is awaiting the government's decision on the use of Bombay High gas which is likely to be announced by the year end. Meanwhile, the company is trying to locate some intermediate products.

Disclosing this, the company's chairman, Mr Arvind N. Mafatlal, told shareholders at the annual meeting in Bombay recently that the company's performance during the current year was expected to be better than that in 1978. Its sales during the first four months of 1979 (January to April) have amounted to Rs 27.27 crores against Rs 25 crores in the corresponding period of 1978. Higher sales have been mainly because of the higher volume of production and not price increases. The company's plant also has been able to maintain production at a satisfactory level despite the planned two-week shut down for maintenance.

Referring to the bonus issue, the chairman has said that the company is likely to make such an issue next year. The board would like to combine the question of bonus issue with its future diversification plans. The proper time would be when the company is sure of servicing the enlarged capital, the chairman said.

Meanwhile, the company hopes to commence production of monocrotophos by 1981. It has already received a letter of intent for the project and has already developed process for its manufacture. The company has also plans to diversify in agro-chemicals field.

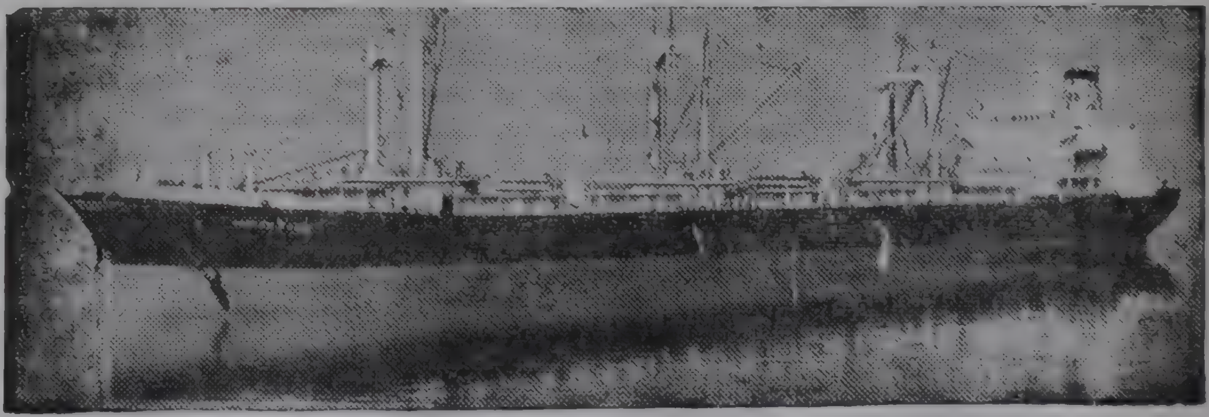
Usha Martin Black

The board of directors of Usha Martin Black (Wire Ropes) Limited has recommended a dividend of 10 per cent on equity shares of Rs 10 each for the year ended December 31, 1978. The company has earned a gross profit of Rs 115.16 lakhs in 1978 (Rs 126.82 lakhs). After charging Rs 34.81 lakhs (Rs 31.07 lakhs) for depreciation, providing Rs 32.95 lakhs (Rs 35.00 lakhs) for taxation and Rs 8.39 lakhs (Rs 5.49 lakhs) for investment allowance reserve, the disposable profit for the year, after adjustments, amounts to Rs 41.04 lakhs (Rs 64.01 lakhs). General reserve gets Rs 2.54 lakhs against Rs 35.19 lakhs in the previous year and dividends recommended will absorb Rs 38.70 lakhs against Rs 28.81 lakhs in the last year. The company continued to make all-round progress in production and turnover. Production of the Ranchi factory has gone up from 24,505 tonnes in 1977 to 25,305 tonnes in 1978. Sales have reached a new level of Rs 250 crores in the current year compared to Rs 23.3 crores in the previous year.

Tata-Finlay

Tata-Finlay has suffered a sharp setback in its performance during 1978. Its gross profit has slumped to Rs 8.20 crores from Rs 20.85 crores for 1977. Its turnover has declined by 21 per cent to Rs 63.68 crores from Rs 80.55 crores.

The directors have proposed a final dividend of 12.5 per



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cent, which together with the interim of 10 per cent makes a total of 22.5 per cent for 1978 payable on the larger capital of Rs 8 crores resulting from one-for-three bonus issue. For 1977, the company paid a total dividend of 30 per cent on the capital of Rs 6 crores. Thus the total quantum of dividend has been maintained at Rs 1.80 crores despite the sharp fall in the company's earnings.

The company's pre-tax profit amounts to Rs 6.65 crores against Rs 19.60 crores after providing Rs 1.55 crores (Rs 1.25 crores) for depreciation. The provision for taxation is lower at Rs 4.19 crores against Rs 12.97 crores. This leaves profit-after-tax of Rs 2.45 crores against Rs 6.63 crores. A sum of Rs 31.49 lakhs (Rs 25.15 lakhs) is transferred to the investment allowance reserve andRs 25 lakhs (Rs 3.83 crores) to the general reserve.

The company's board has decided, subject to the sanction of the Controller of Capital Issues, to issue rights debentures of Rs 2.50 crores to the Indian shareholders.

Mahindra Ugine

Mahindra Ugine Steel has maintained the equity dividend at 14 per cent for the year 1978. This is the sixth consecutive year for which the dividend has been maintained at this level. Production of the finished steel has gone up by 14 per cent and the turnover has advanced from Rs 14.97 crores to Rs 18.10 crores, indicating a rise of about 20 per cent. The gross profit has, however, been maintained at the previous level of Rs 2.90 crores. As depreciation has claimed Rs 73.09 lakhs (Rs 72.58 lakhs) and interest charges Rs 1.23 crores (Rs 67.84 lakhs), the net profit works out to Rs 1.95 crores as compared to Rs 2.06 crores last year. The setback in earnings despite a marked rise in sales is attributed to a sharp rise in scrap prices, which is the basic raw material for the plant, increase in power cost as well as escalation in the cost of other inputs.

Dharamsi Morarji

Mr R.M. Goculdas, chairman, Dharamsi Morarji Chemical Co Ltd, told the annual general meeting in Bombay recently that the turnover in the first four months up to April has increased from Rs 735.34 lakh to Rs 850.27 lakh.

Fifteen per cent of the dividend recommended or Rs 1.20 per share would be exempt from tax as decided by the tax authorities. The bonus shares proposed in the ratio of two bonus shares for every five shares held would, in addition, rank pari passu with the existing shares in all respects. Further, he assured the members that the board proposed to pay a dividend of 12 per cent on the increased capital as per the rules of the bonus issue guidelines.

An extraordinary general meeting of the company would be held some time in July next to approve the bonus issue and to raise the authorised capital accordingly.

The chairman informed the shareholders that the company had received the approval of the government for the purchase of 48,000 shares of Borax Moraji Ltd presently held by the RTZ Borax Ltd, London. The company had also received the government approval for the manafacture of 1,500 tonnes of thionyl chloride at Roha and expansion of the capacity of single superphosphate by 66,000 tonnes a year at Kumhari site.

Straw Products

The board of directors of the Straw Products Limited have decided to increase the dividend on equity shares to 15 per cent for 1978 from 12 per cent announced in 1977. The company's profit has gone up considerably to Rs 403.37 lakh from Rs 244.93 lakh. The company's profit has been arrived before making provision for depreciation. The sales and other income have gone up to Rs 34.26 crore from Rs 26.89 crore in the previous year showing an increase of about 27 per cent. After providing Rs 183.05 lakh for depreciation, Rs 74 lakh for development rebate and investment allowance reserve and Rs 73.09 lakh for the proposed equity and preference dividends, a sum of Rs 73.23 lakh has been transferred to general reserve.

The company has decided to expend its paper mills in Orissa to increase the production of paper by 5,000 tonnes per annum. The expansion scheme will cost Rs 5.50 crore and this job is expected to be completed by the end of next year.

Sandvik Asia

A programme of broadening its product range has been taken up by Sandvik Asia. It has already undertaken manufacture of ejector drills, 'U' drills, P-type round tool holders and inserts for bary peeling and intends to take up manufacture of various coal mining tools, gun drills and other drill steel equipment in the near future. The company will soon be completing the installation of a spray drier unit imported from Denmark. The gamma coating unit, another sophisticated piece of equipment has alreadybeen commissioned and the gamma coated inserts have been well received in the market. The government has granted the company an extension of time for completion of its expansion programme up to Decmeber 31, 1979, and the management expects to complete it before the extended time. The rivised estimate of the total cost of the programme is about Rs 2.85 crores. The company has already spent about Rs 1.58 crores by the end of 1978.

MICO

The directors of Motor Industries Company Ltd, (MICO) have recommended a final dividend of Rs 8 per share. The turnover of the company for 1978 amounted to Rs 729.66 million against Rs 611.45 million in the previous year. The exports during the year rose by about Rs 9 million to Rs 146.1 million.

The profit, after depreciation, investment allowance and tax provision, was Rs 36.3 million against Rs 28.99 million on the previous year,

Skol Breweries

Skol Breweries has maintained production and sales of beer in the first four months of the current year at the level of the last year. Giving this information at the company's annual meeting, Mr S.P. Acharya, chairman, said that production of beer during January-April of the current year was around 24,000 hecto litres same as that of the corresponding period last year. Sales were maintained at Rs 95 lakhs, as there was no increase in the selling price of the company's product. The estimated profit on the sales was about Rs 13 lakhs, almost same as last year.

RECORDS AND STATISTICS

National policy on education

The draft National Policy on Education was presented to parliament recently. It provides an integrated picture of the reforms which are under implementation in many states on the basis of consensus reached at the meetings of state Education ministers. The text of the draft is given below:

AN IDEAL system of education should enable individuals to know and develop to the fullest, their physical and intellectual potentialities and promote their awareness of social and human values, so that they can develop a strong character and live better lives and function as responsible members of the society. It is by transforming human being that social transformation can be brought about.

The aim of education should be the growth of the individual through truthful life without detriment to the welfare and progress of society and our cherished ideals of freedom, equality and social justice. To this end it should strengthen values of democracy, secularism and socialism. Education should promote national unity, pride in our cultural heritage, and faith in the country's future. The effort must be to inculcate scientific and moral values and to facilitate pursuit of knowledge.

Changed Emphasis

The content of education at all levels needs to be recast so as to make the education process functional in relation to the felt needs and potentialities of the people. Emphasis should shift from teaching to learning, the role of the learner being more crucial. Gandhiji's ideas and experiments in the matter of education, his introspective approach to all learning, his insistence on the co-relation of hand and heart leading to complementarity of intellectual and manual work and on the social responsibilities of education have enduring relevance and are therefore vitally necessary and useful.

Community Participation

Community service and participation in constructive and socially useful productive work should be an integral part of education at all stages so as to foster self-reliance and the dignity of labour. Moral education should form part of the content through inter-related curricular and co-curricular programmes in all subjects and should be the responsibility of all teachers and the entire institution. The content should also iuclude the lives and teachings of great national leaders and history of freedom movement.

The present system of education must be reorganised in the light of contemporary Indian realities and requirements. Subject to the nationally agreed basic concepts of freedom, equality and justice, the system should be flexible and responsive to varying circumstances. Every effort should be made to pursue excellence, without losing sight of the ideal of equality. The system must endeavour to narrow the gulf between the educated classes and the masses and overcome the feelings of superiority, inferiority and alienation. With flexibility in the choice, content and duration of courses, the student can choose, his own time and channel of study and progress at his own pace. The educational itstitutions and the community should help each other, the teachers and parents cooperating in providing knowledge and skills and a better future for the children. The school should be closely associated with the developmental activities of the area.

Universal Education

Highest priority must be given to free education for all up to the age of 14 as laid down in the Directive Principles of the Constitution. Education up to this stage should be general and not specialised, and should give pupils a confident command of language and tool subjects and a scientific attitude. Elementary education should be an integral stage.

The accent in elementary education should be on the development of personality and character. The content of elementary education needs to be restructured keeping in view not only the tradition and values that make up the country's composite culture but also the present realities and the vision of a common future.

The content of education at this stage should include language, arithmetic, history, simple elementary sciences with special reference to environment, cultural values and physical education. The curriculum should necessarily include socially useful productive work through purposive manual labour contributing towards goods and services useful to the community.

Functional Approach

Wherever possible, provision must be made for agricultural or horticultural activity. Thus education will become functional and related to the lives of the people and the environment. It should promote a scientific temper which gives a capacity for self-criticism and liberal and human outlook. Flexibility and room for innovation will help the teachers to meet the varying requirements of children.

There is need for a change in the approach to the learning process in the early years of elementary education. The accent has to be on more creative and joyful activities than formal instruction. Formal instruction should be reduced to a minimum and must not exceed three hours a day. No rigid academic year need be prescribed. The school session should be scheduled according to local needs.

While it is necessary to expand the facilities for formal education in elementary schools for all children in the age group 6-14, it is also important to formulate schemes of non-formal education for dropouts and the older children in the age group who have not had any schooling. The aim should be to cover all the children in the age group 6-14 in the next ten years. Steps should be taken to prevent children giving up schooling without completing the course. The problem of wastage should be studied in detail and remedial measures taken.

The curriculum must be capable of catering for the requirements of a wide range of learners and learning circumstances and built around local situations. There has to be a core of basic content for comparability of educational attainment and the acquisition of further skills and knowledge. The core should be minimum. Learning system may be organised through either formal or non-formal arrangements, which may be partly inststutional and partly personal. The institutional arrangements should not be rigid to exclude those learners who wish to make use of them partially.

Mid-day Meals

Incentives as mid-day meals, free text books, stationery and uniforms should be provided to poorer pupils. Special attention should be given to the education of girls and children of Scheduled Castes and Scheduled Tribes.

The school should function as a focal centre for the development of the neighbourhood. The community in its turn should involve itself in the educational effort. Skills available within the community should be utilised for educational programmes in the school.

Beginning with elementary stage, steps should be taken towards the common school system. The effort should be to provide education of good quality. It should be seen that in all schools, the medium of instruction is the regional language and fees and rules of admission are uniform.

The neighbourhood school plan will be the main feature of the common school system by which the schools in the area will be required to enrol all the ceildren in the neighbourhood. This will promote common interests and social integration.

Adult Education

It is estimated that 230 millions of our adult population are illiterate. These form mostly the poorest and the most neglected sections of the nation. Their contribution to national well-being could be far greater than it is, if they received some education. Their condition is such that they are not able to take advantage of the benefits available to them under the development plans and continue to be exposed to exploitation and social disabilities. The nation should deem it its solemn duty to impart education to them. The National Adult Education Programme, which has been organised, should be implemented with urgency and sustained vigour. The immediate target should be to educate, under this programme, 100 millions in a period of five years so that universal literacy becomes a reality in our country within the shortest possible time. The Adult Education Programme should mean not only acquisition of literacy and numeracy, but also functional development and social awareness with a view to cultivate habit of self-education.

Adult education is an integral part of the Revised Minimun Needs Programme (RMNP) whose thrust is, (a) to reach to the poor people, (b) to coordinate all such programmes with developmental departments and (c) to integrate them with area planning. The RMNP programmes, including adult education, cannot be the sole responsibility of one ministry, department or agency.

Massive Programme

Since this massive programme stipulates a large investment, its operational content has to be kept carefully worked out. The most important point to be kept in view is that the programme is community-oriented. Agencies and instruments for this programme have to be so identifield that the maximum interaction takes place between the local community and the government.

The programme will be conducted through multiple agencies with precedence to voluntary agencies in so far as they are available. The involvement of teachers, students, trade, industry, youth and women organisations, social workers, developmental departments, municipalities, panchayats and other local bodies will be ensured right from the beginning.

Since the real problem of adult illiteracy exists in the rural areas, special efforts will have to be made to involve the rural community and the teachers in the rural areas to conduct this programme. A special effort should be made to activise Mahila Mandals and youth organisations. Some input from the community would be desirable to make it a continuing programme,

Since the programme is not only meant for removing illiteracy alone but its aim is also to create awareness about other problems, it would be desirabl that programmes such as famil planning, health and nutritio child and mother care shoul be built into this programme For this it would be desirabl that the newly appointed instructors for this programm should be women as far a possible.

Besides removing illiteracy and creating awareness, adult education programme has to have some developmental content. It should also aim at improving the skills of the targeted groups so that their productivity can be improved. For this institutions of vocational education should be pressed into service

The adult education programme should include measures for continuing education to sustain the interest of those adults who have taken advantage of it and to enable them to develop knowledge and skills on their own. These measures would include low-priced books and literature, village libraries, material put-out through the mass media etc. The development of rural library system is necessary to support the programme of continuing education.

Secondary Education

While the highest priority has to be given to the expansion of elementary education and promotion of adult education, it is equally important to improve secondary education so that on leaving the school a student can enter life with self-reliance and confidence and take up work well equipped with general knowledge and relevant skills.

The curriculnm of the secondary education should be diversified and its burden made lighter by shedding excess acdamic load so as to facilitate and help the development of the total personality. The curricular and co-curricular programmes, physical education, games socially useful productive work and social service should be designed to help students acquire the knowledge and skills, attitudes and values, essential to a democratic, secular and socialist society with Gandhian values of life.

Diversification of education programme should take note of the pattern of diversified decentralised economy in rural areas where the accent is on rural industrialisation, minor irrigation, rural health, rural electrification, rural housing and other programmes of rural development.

Central Link

The entire educational system has to be seen as one chain. The central link in this chain is that of secondary education because it is through this that backward and forward linkages are established. Elementary education has to be structured so as to strengthen the foundations of secondary education and secondary education should be such that the students can be sufficiently equipped both in knowledge and skills to straightaway join any part of economic life. Secondary education should be comprehensive both to be terminal for those who do not want or cannot proceed for further education, and to have a strong academic foundation for higher studies for those who show intelligence and aptitude for that education. Besides, the system should be so evolved that the students can be out of one stream to the other as and when they desire.

However, both streams in secondary education should have strong vocational component in the curricula and should be diversified to satisfy the needs of both the above mentioned streams. Obviously, for terminal secondary education vocationalization would have much larger component than for the other stream. Foundations for voctionalization of secondary education will have to be laid even earlier through socially useful productive work with accent on practical work becoming an integral component of elementary school curriculum.`

The vocational education spectrum will consist of a range of knowledge and skills, training in technologies, together with a study of the related sciences, farming and other practical work. For this purpose a systematic linkage should be established with the facilities available in the neighbourhood. The objective should be to give students fitness for employment or a capacity for self-employment.

Vocational Programmes

Introduction of programmes of vocationalization would have to be preceded by surveys which would indicate broad and qualitative assessment of emerging employment opportunities which are local. Such surveys and assessments should be periodic so that vocationalization programmes are reviewed, modified and changed from time to time.

Vocationalisation programme, by its very nature, will have to involve all development departments. However, there is need for one coordinated agency to look after various aspects of the programme like programme information, development of course content, standards of achievement, liaison with emloyment agencies, identification of institutional courses, etc.

Efforts should also be made to provide for vocational courses and opportunities for vertical and horizontal mobility through the provision of appropriate diploma through non-formal methods. The products of vocational courses should have opportunities for upward professional mobility.

Effective Tie-ups

Vocationalisation for self-employment should reckon with the need for supplementary inputs like credit, market, etc. and should also aim at extending the scope of possibilities of effective tie-up with the district industrial centres and other institutions being set up in the country. The student completing the existing vocational courses should be given due recognition. To promote vocationalization, apprenticeship scheme should be extended to those courses also.

The school and the community will have to be brought together. Involvement of community in identifying the kinds of programmes and courses and provision of facilities by them in their enterprises and establishments will ensure success of the programme. This will also, among other things, throw up work opportunities for self-employment.

In view of the decentralisation of economic planning where the thrust is on area development with improving the lot of individual families, the programme of vocationalisation has to be decentralised and local bodies and communities involved in its formulation and implementation.

Facilities for secondary education will have to be expanded in rural areas and the smaller towns in order to reduce the gap between rural and the urban population. Special efforts will be made to provide access to the weaker sections. Access may also be enlarged by the introduction of correspondence, part-time and own-time courses of study and by allowing private candidates to appear in public examinations.

Though priority must be given to elementary and adult edudcation and the improvement of secondary education, the importance of the role and contribution of higher education in national development must be fully recognised.

The proliferation of colleges and universities with little regard to the need for them or the resources required for sustaining them at acceptable standards is a matter for concern. Measures will have to be devised to relieve pressure on higher education. Vocationalisation of secondry education should be of help in this process. New recruitment policies and procedures with in built pre-service training programmes and tests appropriate to specific job requirements, will also help to lessen the craze for degrees for securing jobs. The general run of jobs not requiring university education for their performance should be de-linked from the requirement of a degree.

Expanded Facilities

Facilities for higher education may be expanded through correspondence courses, part time and own time studies and by permitting private candidates to appear in university examinations. Great restraint should be exercised in the establishment of new institutions. Admission to institutions of higher learning should be selective. Due safeguards, however have to be provided to ensure accessibility of these institutions to first-generation learners, Scheduled Castes and Schduled Tribes and other disadvantaged groups. Vigorous efforts should be made to improve the quality of higher education.

Duration of Courses

It is preferable that the duration of the undergraduate stage of higher education is three years. This may be followed by courses of post-graduate study and research. Courses of study will be re-structured and made interdisciplinary so that they can meet the varying requirements of students and also help in social transformation and national development. Participation in constructive programmes with a component of socially useful productive work should be made an integral part of the courses of study at the undergraduate stage.

Efforts will be made to raise the quality of post-graduate education. Universities will be encouraged to undertake fundamental and applied research especially in sciences relevant to the needs of national development in collaboration with national research laboratories, industry and other organisations. The programme of scientific and technological research should conform to the National Policy on Science and Technology.

The university system assumes increasing responsibilities for the development of the community and more particularly for the education system as a whole. The universities should collaborate with the colleges which in turn may work with secondary and elementary schools in the neighbourhood and the entire complex should help to improve the standards of education at all levels. There should bc close relationship of mutual services and support between the universities and colleges and the local community. Extension programmes in the universities should have the same status as teaching and research. Vacations should, where necessary, be curtailed and re-scheduled to enable students and teachers to lend a hand in programmes of rural and community development.

Centres of excellence, whose standards should be comparable to the best in the world, are essential and every effort will be made to promote them.

The educational structure will broadly comprise elementary, secondary and undergraduate stages of education. School education shall be of 12 years' duration and will comprise the elementary and secondary stages. There will be a public examination at the end of the secondry education. The undergraduate stage of education may be of 3 years' duration. However, where a university desires, it can have 2 years' pass and 3 years' honours courses.

Technical Education

In the area of technical education, an efficient national manpower information system is necessary which should be developed within the next five years. In view of the changed priorities of socio-economic development, a more balanced technical education system at all stages should be organised. The programme of technical education should be on a more efficient and meaningful basis.

Technical education institutions, especially polytechnics, will form the focal points where problems of rural areas will be studied and solutions found. Programmes will be designed to ensure meaningful inter-action and collaboration with industry. Laboratories and workshops should be strengthened and the quality of training should be improved. Technical education courses should be designed also to impart entereprenuerial skills. Course in management education should be restructured to provide for managerial manpower for villages, small and medium sized industries and also for sectoral needs such as transport, power, health, agriculture, cooperation and rural development. Appropriate courses in humanities and social studies should be provided in technical education institutions to promote a sound value system.

Industrys' Role

In view of the fact that the country has already achieved a highly diversified industrial structure, both in public and private sector, industries should play a larger role in maintaining a balanced system of technical education and in optimum utilisation of technical manpower in the building up of a research and development base.

Emphasis in research will be on industrial and rural development. Institutions will be expected to undertake advanced research in areas of vital importance to the nation, such as energy resources and technology for rural development.

Facilities for agricultural education should be expanded to meet the requirements of all states and should emphasize self-emlpoyment through diverse agricultural operations. Agricultural universities whereever they exist should have state-wide responsibility for research in agriculture and alied areas. Every agriculural
university should have
strong centre of research
each agro-climatic region to
location-specific research. A
cultural universities sho
also conduct advanced stud
and basic research relevant
agricultural development. Ag
culture departments and fac
ties which have the necessa
potential should also be ass
ted to develop complementa
programmes of agricultu
education.

Linkages should be develo
ed between agricultural u
versities and development
partments to facilitate
transfer of new technology
villages. Agricultural unive
sities should also active
pursue programmes of no
formal education, includin
correspondence courses, f
continuing education to me
the functional requirements
of the rural community.

Agricultural universities
well as suitable voluntar
agencies should organise an
run Krishi Vigyan Kendras t
impart training to rural yout
in relevant skills and als
participate in programmes o
adult education.

Medical Education

In the field of medicine the type of education imparted, particularly at the under-graduate level, is hospital-oriented and has little relevance to the actual overall health care needs of the country. As a result, while the modern medical system has, to a large extent, kept pace with the developments in the rest of the world, yet the graduates coming out of our medical colleges are unable to appreciate adequately the problems and dilemmas at that level. Our medical education system, therefore, needs to be reorganised on a realistic assessment of the health and manpower requirements of the country. Towards this end, the system has to be re-oriented to bring it in tune with the needs and aspirations of the community.

At the same time the indigenous (traditional systems of medicine) like Ayurved, Unani, Siddha, Yoga, Naturopathy and also Homeopathy have after years of comparative neglect started coming into their own. It is essential from the point of view of optimal utilisation of national resources that all these systems, as well as the modern system, should realise their limits as well as potentials, should support each-other mutually, and draw inspiration from one another.

A positive effort has to be made to ensure the integration of traditional and cotemporary cultural elements with formal and non-formal education. The system has so far not made full use of the rich and varied cultural heritage of the country and the vast cultural resources available in communities which are socially and economically backward. All these resources should be drawn upon and woven into the fabric of education, at all stages.

Physical Education

Physical education, consisting of sports and games and athletics, including rural sports indigenous games, yoga exerrcises and activities promoting a spirit of adventure, should form part of education at various levels. Efforts should be made to locate talent among boys and girls and facilities should be provided to enable them to develop their capacities and attain national and international standards of excellence, in sports. Practical knowledge for maintaining ones' health & physical fitness should be given at all stages.

The medium of instruction at all stages shall be the regional language except at the primary stage where it will be the mother-tongue.

Facilities will be provided in schools for teaching English or a foreign language so that pupils can have direct access to specialised and growing knowledge in the world in their chosen fields.

Three Language Formula

The Three Language formula will be implemented at at the secondary stage. It includes the study of a modern Indian language, preferably a South Indian language, in addition to Hindi and English in the Hindi speaking states and of Hindi in addition to the regional language and English in non-Hindi speaking states.

Efforts will be made to improve the techniques of teaching languages.

Efforts wil be continued and strengthened to develop Indian languages and litarature.

Sanskrit has influenced in one way or another most of the modern Indian languages. Efforts will be made to popularise the study of Sanskrit.

Study of other classical languages will be promoted.

Programmes to promote the development and propagation of Hindi as a link language will be strengthened.

The study of Urdu will be accorded due recognition and encouragement.

The study of Sindhi will also be promoted.

Examinations, especially public examinations, should be made more objective and reliable. Evaluation should enable the teacher to see the effectiveness of his instruction and enable the pupils to judge the results of their of learning efforts. It should thus act as an instrument of improving both the teaching and learning processes including the content of courses and methods of teaching.

The mode of evaluation should discourage memorisation and should be comprehensive enough to cover the total learning experience in the curricular and co-curricular progrommes.

Generally, there should be no more than three public examinations during the entire course of education till the end of undergraduate stage. These may be at the end of elementary, secondary and the undergraduate stages.

All other examinations should be internal. Besides the annual examinations there must be regular periodical test to evaluale the progress of students. A regular system of sessional evaluation should be followed so as to identify the pupils lagging behind and needing special attention.

Credits System

We must gradually provide for the credit system which facilitates multi-point entry and promotes an open learning system.

Efforts will be made to improve the quality and content of text books and to make them available at reasonable prices. The states and universities will be assisted to produce books and periodicals and other reference material in regional languages to facilitate the medium change-over.

While there has been considerable expansion in all sectors of education in our country imbalances and inequalities still persist. Girls, Scheduled Castes and Tribes, landless labourers, backward classes and urban slum poor generally continue to lag behind in education. Special efforts must be made to identify the problems in these cases and to bring all such people into the fold of education.

Scholarships and followships based on merit-cum-means should be expanded at different levels of education. Some of these should be earmarked for rural and backward areas and weaker sections, to ensure that talented students from the weaker sections of the population are identified and helped to acquire good quality education.

Close Monitoring

Close monitorning of programnnes intended for the disadvantaged classes will be undertaken at the state and national levels at all stages of education so that they may be enabled to reach levels attained by other sections of the population, within the next decade.

Pre-school education for children of first generation learners should be provided through existing schools system.

Some schools, notably 'public schools' remain outside the system of public education. They should be brought under the purview of the laws and regulations that govern the system of public education especially those relating to fees and content of courses. They must have regional language as the medium of education and uniform fees and rules of admission. These institutions should be integrated with the common school system of education with its neighbourhood plan. The special rights of institutions administered by minorities will be given due recognition.

Certain states lag behind the

rest of India in education. The centre and states concerned must take special efforts to bring them on par with the other states in education generally and more particularly in universalisation of literacy within the shortest possible time. It has been observed that educational development even within one and the same state is not uniform. Hence, close monitoring will be introduced during the next plan period, and emphasis will be laid on area planning to ensure that all relatively backward pockets are assisted to raise their standards,

Every effort should be made to expand educational opportunities to cover all handicapped children. For the more severely handicapped children, education may be provided in especially suitable settings for the full development of their potential. The others could be placed in regular schools and with the requisite additional facilities. Appropriate curricula and techniques of teaching suited for handicapped children should be evolved through research and through study of techniques adopted elsewhere.

Role of Teachers

Teachers have to play a pivotal role in reforming education at all levels. In order that they can play this role they should be inspired by creative idealism and feel pride in their professions. Suitable steps should be taken to improve professional competence of teachers at all levels. The academic freedom of teachers to conduct research and make experiments and innovations will be assured.

The teaching community should become increasingly aware of the crucial importance of their role in moulding the lives and character of the future citizens of the country. They should themselves be model citizens, committed to the task of national and social reconstruction.

The curriculum of teacher-education at the elementary and secondary stages, will be suitably changed in order to enable the teachers to play their proper role in reforming education. Pedagogical and professional preparations for teachers in higher education should also be provided. Facilities for inservice training will be expanded. Centres for developing curricular materials and teaching aids will be established, especially for the benefit of teachers in rural areas and for both formal and non-formal systems of education.

Local Committees

It is desirable to associate the local community with the schools in the area through the setting up of local committees which will improve the facilities in the institutions and help them to function more efficiently.

Voluntry organisations will be encouraged to support and supplement the programme formulated to implement the national policy.

Government are aware of the valuable contribution to the country's composite culture that can be made by institutions run by religious and linguistic minorities and recognise and uphold their right to establish such educational institutions of their choice and administer them in accordance with law, in order that the goal of an integrated Indian community is achieved.

Government expenditure on education in the country has steadily grown and is now of the order of Rs 2800 crores per annum. A larger outlay will be needed to implement the policy outlined above. However, efforts must be made to realise the objectives through exercise of economy, more effective utilisation of existing resources, additional outlays and programmes such as "Food for Work."

Fees may be charged in secondary and higher education stage from those sections of population who are in a position to pay at rates which bear a reasonable relationship to the cost of providing education.

Support from local communities in cash and kind should also be encouraged o a wider scale than is done present.

While financial inputs are a important part of the tota effort required to implemen the policy, even more impo tant will be the human element the intellectual and mora energy dedicated to the tas Without this human contribu tion, the transformation an expansion of the educatio system on the above lines an improvement of its quality wil not be possible.

The government of Indi will review every five years th implementation of the Nationa Policy on Education and modi fy it in the light of experience.

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Masterpieces inspired by Indian dyes

MADHUBANI

Paintings in the characteristic Madhubani style are today much sought after all over the world. Loose-limbed, exaggeratedly vertical figures, almost naively drawn, but nevertheless with a reserve of strength in their forms, dominate the compositions. Foliage and flower are stylized and elaborated into extended decorative patterns.

In Madhuban and its neighbouring villages in the southeast of India, this style of painting was used traditionally for murals on the outside of huts. Today the designs are being adapted on fabric and paper.

The Madhubani murals were executed only by women who obtained all the colours used from natural sources. Sensuous scarlet and deep sienna from the Kusum blossom; bright yellow from turmeric; soft gold from a compound of banana leaf juice, milk and lime; rich black from encaptured smoke; these were then mixed with goat's milk and Bakul tree gum as binding media.

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Prasar or prachar?

THOUGH THE ministry of Information and Broadcasting has appeared to remain firm in its commitment to the principle of autonomy for All India Radio and Doordarshan, it has taken 15 long months to reach decisions on the Verghese committee's recommendations and introduce the necessary legislation in parliament. Meanwhile, the tendency of the two media to relapse into their old ways of meek conformity to the government's wishes and display an undue obsession with ministers and their utterances have created doubts whether this government is not also going the way of its predecessor.

The Prasar Bharati (Broadcasting Corporation of India) Bill bears all the marks of the government's indecisiveness and its less than wholehearted commitment to autonomy. The key issue was the establishment of a trust to safeguard the autonomy of radio and TV so that the trust could act as a buffer between the government and the public on the one hand and the management of the corporation on the other, when complaints are made against prejudicial broadcasts. This sensible idea of the Verghese committee has been jettisoned on the plea that the trust would leave the government with no role for ensuring that autonomy was not misused, overlooking the fact that the government could always seek the intervention of the trust when it felt that such misuse had occurred and where the trust supports the complaint and suggests action, any steps taken to remedy the situation can allay public misgivings.

Both the previous and the present governments have consistently favoured the setting up of trusts composed of eminent public men for privately-owned newspapers to safeguard the independence of the editor against proprietorial interference. Apparently it does not like the taste of its own medicine; but why then this pretence about granting full autonomy to the media? The public has an important and equally vital stake in the prevention of the misuse of the media in favour of the government—a danger which is ever-present and very real—and it is idle to expect the authorities as the beneficiary of such misuse to intervene and deny themselves the advantage.

The government has a good point in excluding the chief justice from the panel of persons who will select the chairman of the corporation, though it does not labour under similar notions of propriety about dragging the chief justice into controversial matters when sorting out its own internal problems. There is much substance in the criticism that a panel consisting of the Speaker and the chairman of Rajya Sabha could not be entirely non-political in its approach to the question of the suitability of a candidate for chairman. This is one of the matters which should be carefully considered by the select committee in the light of any suggestions that may be made by members of the public.

Two other matters which should be similarly reconsidered in the bill relate to the government's power to issue directives to the corporation and to frame rules. It is not possible to object in principle to the issue of directives but mere laying of these before parliament is not a guarantee of their propriety or desirability. Ultimately, the decisive factor in parliament is the ruling party's majority while the entire case for autonomy is that this majority by itself does not confer the right to interfere with the working of the media.

The enabling powers for the government to make rules seem to have been included in the bill in the routine way in which it is incorporated in all legislation for the setting up of public corporations, without appreciation of the fact that Prasar Bharati will be in a class by itself. If rules have to be made, they should be made by the corporation itself as part of its autonomous functions. Now there is nothing to ensure that the rules framed by the government will not impose through the backdoor any restrictions which might hamper the initiative of the corporation. The fact that there is also a provision which requires the corporation to submit not only its budget but also its annual plans for programmes adds to the doubts about the purpose of the various built-in provisions for government interference.

It may well be that there can be no such thing as real autonomy when a corporation's assets are owned by the government and it has to depend on the latter for a substantial part of its working funds every year. Accountability is a matter which cannot be entirely overlooked and parliament may not like to abdicate its responsibility if it has to vote the funds. Even with a trust in existence, the autonomy may not be as complete as one may desire, but without it, it is almost farcical. Whether the new corporation will be a substantial improvement on the existing pattern is open to serious doubt. If the government can be persuaded to encourage the setting up of broadcasting units by private interests in the various regions, the element of competition in the encouragement of professional initiative may result in the public getting a more satisfactory service in terms of entertainment and instruction than it now obtains.

Taxing expenditure

MR CHARAN Singh chose of all places a meeting of income tax commissioners to make the suggestion that the feasibility of replacing income tax by an expenditure tax should be examined, presumably to prevent tax evasion which, he rightly suspects, is very extensive. The most recent consideration of this question was in the Chokshi committee's report on direct tax laws which took the view that in the present circumstances an experiment in restructuring the base for the levy and shifting it from income to consumption would be unwise and the "cost to the nation would be incalculable and unjustifiable". Apparently Mr Charan Singh does not agree with this view, though it is not clear why he thinks that income tax commissioners are better judges than the Chokshi committee. And though he quoted the authority of Prof Kaldor, who had recommended the expenditure tax two decades ago, he seemed to ignore the fact that the tax was in fact introduced as a supplementary tax and later withdrawn.

mundane considerations

The theory that by taxing consumption instead of income, the government can promote savings for development has a strong attraction, not least to academic experts. But revenue departments being more mundane will hardly take the risk of exchanging a known for an unknown system of taxation. The yardstick of income has evolved over decades and ability to pay can be reasonably well measured by it. For the proverbially cautious revenue bureaucracy, mere novelty can have little attraction, though departments will be willing to make gradual adjustments in the rates or modes of levy if they hold promise of yielding more revenue.

Even the theoretical economist will have to consider the long-term social effects of encouraging savings especially at the higher levels of income, which may result in accentuating the existing disparities in income and wealth which can defeat one of our major social objectives. Mr Charan Singh himself has more or less invoked this argument to reduce the concessions for long-term savings in life insurance and also to withdraw the exemption in respect of taxation of capital gains even when such gains are invested in approved forms. There is also the imponderable factor of the effect on employment of the discouragement of certain forms of conspicuous consumption through high taxation in order to promote savings. Can we in the light of our experience take at face value the government's claim that when all the savings are handed over to the government for plan investments, the economy will absorb all these jobless ?

Appropriately, the Chokshi committee has pointed out that though historically the concept of income had a narrow meaning, in India it has been gradually extended to cover other kinds of gains like capital gains, winnings from lotteries and horse racing and such other non-recurring receipts. By blurring the distinction between income and capital in cases where there could be interchanges to avoid taxation, some loopholes have been plugged and the tax base has been widened. At the same time the tax laws have sought to encourage the conversion of income into capital through tax concessions for approved modes of savings. Even under an expenditure tax, a correct estimate of income has to be made to ensure that expenditure is not concealed by using unaccounted income. The problems of assessment will not be simplified in any way under an expenditure tax, which was perhaps a major reason for the Kaldor scheme not getting much support during these years at the hands of several direct tax inquiry bodies.

Image of Bihar

THE CHIEF minister of Bihar, Mr Ram Sundar Das, and the Finance minister, Mr Kailashpati Misra, have declared their determination to implement effectively the state's sixth five-year plan which envisages an outlay of Rs 2,500 crores. But, considering Bihar's past record in planning and the present uncertain political situation, it seems doubtful indeed if the government will be able to spend the money earmarked for the sixth plan in the most productive manner. The chief minister has revealed that in each department an implementation and evaluation cell has been set up and that heads of departments have been directed to devote special attention to this aspect. But to what extent will the government be able to motivate the officers to perform their tasks with dedication and discipline ? It is true that Bihar is not the only state where the administration has become slack and corrupt. But the rot here seems to have become more widespread and persistent.

The secretary of the Bihar Small Scale Industries Association, Mr R.N. Choubey, has disclosed that its constituents have become thoroughly frustrated and demoralised because of the callousness of the authorities concerned in dealing with their difficulties. He has complained that the agro-service centres and the district industrial centres have failed to work satisfactorily and that the incentives, promised to entrepreneurs, have not been promptly and properly disbursed. How does the chief minister, Mr Das, expect the state's colossal problem of unemployment to be tackled when numerous small units have been either closed or are chronically sick and there is a climate of uncertainty all-round regarding the economic policies to be pursued by the new government ?

The state Finance minister has said that Bihar had experienced considerable difficulty in implementing the annual plans in recent years due to the non-mobilisation of internal resources by the Bihar State Electricity Board and the Bihar State Road Transport Corporation. But it is not going to be easy for the government to make these organisations operate with reasonable efficiency.

lack of returns

The Bihar State Electricity Board had outstanding arrears of Rs 23.2 crores to be collected from consumers as on March 31, 1976. This figure must have now gone up substantially in view of the recent strike by power workers. The electricity board's return on the average capital base in 1976-77 was 8.1 per cent compared to 15.8 per cent in Karnataka, 13.1 per cent in Madhya Pradesh and 13.0 per cent in Maharashtra. The working of the state transport undertaking has also been far from satisfactory. The net loss of the undertaking in 1976-77 has been estimated at Rs 262 lakhs compared to Rs 136.83 lakhs in 1975-76, Rs 155.00 lakhs in 1974-75 and Rs 252.00 lakhs in 1973-74. The percentage of fleet utilisation in 1976-77 was 63.2 per cent compared to 90.0 per cent in Andhra Pradesh, 79.0 per cent in Gujarat and 82.3 per cent in Maharashtra.

Mr Ram Sunder Das has declared that he proposes to give top priority to the maintenance of law and order. His predecessors had also made similar statements but they were not able to achieve much success in this direction although Bihar's expenditure on police increased from Rs 28.65 crores in 1975-76 to Rs 41.95 crores in 1978-79. Bihar's sixth plan will have little prospect of effective implementation until the state improves its image from the point of view of the law and order situation.

Controls and subsidies

OPINIONS WILL differ on whether the conclusion drawn by the Vadilal Dagli Committee on Controls and Subsidies that these aids to economic management have been operating during the past 25 years, by and large, in the interests of only about 10 per cent of Indian society, comprising businessmen, professional classes, bureaucracy and the rural rich, is fully justified or not. But its plea that controls and subsidies should be rationalised with the specific objective of benefiting the vulnerable sections of society and the decentralised sector of the economy, indeed, will be widely endorsed.

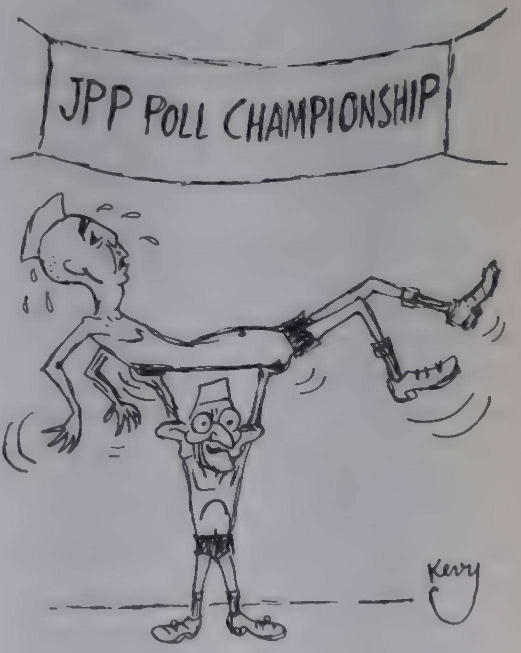
The committee, which was appointed in February last year and whose 850-page report was submitted to the deputy prime minister, Finance, Mr Charan Singh, last week, has covered almost the entire gamut of the subjects of its scrutiny, including some controls instituted by the state governments, and has made approximately 300 recommendations.

Among the general controls studied by it are included those relating to approval of industrial projects, mining operations, import-export and exchange controls, regulations concerning essential commodities and controls on housing and construction activity. The more important among the specific controls scrutinised concern foodgrains, edible oils, sugar, textiles, jute, fertilisers, coal, steel, non-ferrous metals, cement, paper, newsprint, rubber and gold. Also discussed in the report are such other matters as raw material supplies for industries and credit control. The impact of controls and subsidies on the generation of black money too has been assessed.

As could be expected, the committee has reached the conclusion that all controls *per se* are not harmful. In fact, state intervention, the committee opines, is inescapable in modern society. This intervention, it has been stressed, of course, should be in the interests of the poorer sections and the vulnerable sectors of the economy. Mr Dagli has claimed that if the recommendations of his committee, which besides him consisted of Mr Era Sezhiyan, member of parliament, Mr Bagaram Talpule, Mr L.C. Jain, Mr Sanjoy Sen and Dr A.K. Ghosh (member-secretary), are faithfully implemented, they will go a long way in diluting the present "class character" of controls and subsidies: the poor and the more needy would stand to benefit.

Detailed comments on whether controls and subsidies have benefited primarily certain sections of society must wait till the report of the committee is made public some time during the next session of parliament. But it appears that the committee has viewed the impact of these measures from the narrow perspective of finding out the direct beneficiaries. The indirect effect of these measures probably has not been fully assessed.

The committee has stressed that the



The light weight

quantum of subsidies, which was less than Rs 100 crores in 1970-71, has grown currently to as much as Rs 1,568 crores, the major subsidies being on foodgrains, fertilisers and exports. It is true that the subsidies on foodgrains and fertilisers alone exceed Rs 1,100 crores, but to say that they have benefited only the more affluent farmers and the urban population amounts to turning Nelson's eye to the overall beneficial effect they have been having on the general price level of the country, in fostering green revolution and in enabling the government to have effective control on the food situation, notwithstanding the fact that the implementation sometimes has not been up to the mark. Export subsidies, similarly, have helped in boosting non-traditional exports. As a matter of fact, it will be a misnomer to style all export assistance as subsidy. A major portion of it is provided as a compensation for numerous taxes—central, state as well as local—in line with the international practice.

The committee has done well in suggesting that there should be certain norms for the duration of controls and subsidies. All controls and subsidies should be periodically reviewed so that they can be dispensed with as soon as the purpose for which they are taken resort to is served. Very pertinently, the committee has pointed out that several controls which came to be imposed during World War II continue to be operative even now. Another very judicious recommendation of the committee in this context is that greater attention should be paid henceforth to various alternatives to controls, the most important among them being supply management and buffer-stocking of scarce commodities.

decentralised sector

Of great significance is the committee's recommendation that to provide impetus to the growth of the decentralised sector, some controls will have to be imposed not only on the operations of large industries but also on the modern small-scale industries so that the competitive position of this sector, particularly of the tiny and the village industries components of it, can be improved. These controls will be required both in respect of production and raw material supplies. A great deal of care, however, will have to be taken in deciding about these controls lest instead of improving, the overall industrial production should suffer a setback. Another important point to be noted in this regard is the emergence of bogus small industries which may require scarce raw materials. The experience of the late sixties and the early seventies cannot be ignored.

The committee has suggested a new institutional framework for the implementation of controls and subsidies, wherever necessary. It has also recommended the abolition of some high-sounding offices such as those of controllers of cement, steel, aluminium and drugs. Several recommendations have been made about the role of chambers of commerce and industry in the Indian society. While the report of the committee is unanimous, three members are understood to have appended separate notes of explanation.

Trade trends

THE PROVISIONAL data of imports and exports during 1978-79 as a whole, which are now available, suggest that the fears entertained in some circles that the adverse trade balance in this year might have been a record one, exceeding the 1975-76 level of Rs 1,228.52 crores, have proved to be unwarranted. Even though imports during the month of March aggregated to nearly Rs 605.22 crores, exports in this month exceeded the import figure by Rs 50 lakhs, leading to the narrowing down of the trade deficit of the previous eleven months to the corresponding extent. The adverse trade balance during 1978-79, thus, has turned out, on provisional assessment, to be only of the order of Rs 1,062.27 crores. The growth in exports last year works out to 5.5 per cent. Imports grew by 13.2 per cent.

A more significant fact to be noted about exports is that the provisional figure of Rs 5,544 crores for the 12 months to March 31 exceeded the revised estimate of Rs 5,375.46 crores for 1977-78 by a substantial margin. Compared to the 1977-78 provisional figure of Rs 5,273 crores, the 1978-79 provisional figure were higher by Rs 291 crores. The provisional figure of Rs 6,606.27 crores worth imports in 1978-79 compares with the 1977-78 corresponding figure of Rs 5,832.49 crores and that year's revised figure of Rs 6027.56 crores.

heartening performance

The above performance can be termed as heartening for it indicates that despite many handicaps, too well-known to be repeated here, the momentum on the export front seems to be picking up again, even after allowance is made for the fact that some of the exports effected in March were delayed shipments from the earlier months due to port difficulties. The first eight months of last year witnessed some decline in exports. This trend, according to the data now available, was reversed in December itself—and not in January as felt earlier. The improvement during the terminal four months of the year has exceeded—even though marginally—the expectations of the ministry of Commerce.

The revised estimates for the year, however, may show some further increase both in exports and imports. But it is unlikely that the adverse trade balance will exceed Rs 1100 crores. This will be significantly lower not only than the record deficit of Rs 1228.52 crores in 1975-76 but also the 1974-75 adverse trade balance of Rs 1189.95 crores.

With the import policy for the current year aiming at promoting exports, besides imparting stability to the economy through raising domestic production and liberalised imports of several items, which were the two primary objectives of this policy last year, the export performance this year should be significantly better. The rigours of some of the factors which adversely affected exports last year are also reported to be softening. These include congestion at ports, the sharp deterioration in the unit-value realisation of such items of export as tea, coffee, pepper and oilcakes, fall in the rupee-value of the US dollars and inadequate surpluses of several items which necessitated banning of their exports in the interest of the domestic consumer.

It, however, remains to be seen whether

exports this year will go up so substantially as to counterbalance the sharp increase likely in the import bill on account of the hike in the prices of crude oil and petroleum products and the need for significantly increasing the imports of such essential raw materials as steel, non-ferrous metals and rubber and such other commodities as cement and fertilizers.

Whither engineering exports ?

THE DECLINE in the growth rate of engineering goods exports from approximately 14 per cent in 1977-78 to just five per cent last year is indeed a cause for concern. The pace of exports slowed down markedly after December primarily due to the dock workers' strike and the resultant congestion at the ports. But certain other factors of continuing significance had their effect too. They include the uptrend in the prices of steel and non-ferrous metals, difficulties in respect of power and coal supplies and the growing lure of the domestic market. Industrial relations in the engineering industry have also tended to deteriorate. A clear indication of the lure of the domestic market is available from the fact that, whereas overall production had increased by 13 per cent, exports rose by only five per cent. The extra output was easily absorbed by the domestic economy even at hardening prices.

Against this backdrop, one wonders whether the optimism expressed by the chairman of the Engineering Export Promotion Council, Mr Suresh Mehta, that exports of engineering products can be stepped up by 25 per cent this year is warranted, even though he has qualified this observation by stressing that this rate of growth can be attained only if the basic problems of raw material inputs and infrastructural facilities are resolved. No target has yet been fixed for these exports during the current financial year. Last year's target of shipments worth Rs 720 crores obviously could not be attained as exports during the 10 months to January aggregated to only Rs 521 crores and thereafter they started getting decelerated due to congestion at the ports.

The newly-elected president of the Association of Indian Engineering Industries (AIEI), Mr Rahul Bajaj, has expressed the hope that should the constraints be removed, a 15 per cent growth in output could be expected. Even if this increased output is obtained, its contribution cannot suffice to increase exports by anything like 25 per cent.

Meanwhile the export order book of the industry is quite comfortable and there are prospects of increased orders, particularly for capital goods. With a view to ensuring adequate supplies of raw materials, the ministry of Steel has already drawn up a programme of importing nearly 1.6 million tonnes of scarce categories of steel, besides nearly half a million tonnes of bars, rods and billets. An increase of 15 per cent is expected in domestic production, though a big question mark persists with regard to power and coking coal supplies.

Again, will the inputs be available well in time for the industry to manufacture goods according to the strict export schedules? The recent ban on the exports of bars and rods and the hope of importing nearly 300,000 tonnes of steel by June end have tended to bring down prices, but still the present prices are significantly higher than the last year's level. It remains to be seen whether the prices of exportable goods can be pushed up correspondingly. If this cannot happen, the industry's keenness to export obviously would get impaired.

From the long-term point of view, the prospects of engineering goods exports continue to be promising. Mr Mehta has indicated that this country can achieve a major breakthrough in the south-east Asian markets. It has already become the second largest exporter of goods and services, after Japan, to west Asia. Several products have been identified for exports to the EEC countries where there

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is growing consciousness of our ability to supply quality goods at competitive prices. The prospects of exports to other developing countries, particularly in Africa, are not insignificant.

Oil: import crunch

THE REVISED estimate of an increase of Rs 500 crores in the import bill on account of crude oil and petroleum products, which was indicated by the deputy prime minister and minister for Finance, Mr Charan Singh, a few days ago seems to be going awry again. Before the hike in oil prices effected by the OPEC on April 1, the additional outgo of foreign exchange on the above score was estimated around Rs 350 crores. The latest estimate puts this figure around as high a level as Rs 700 crores

The additional Rs 203 crores burden is understood to be caused by the surcharges levied by the various suppliers of crude oil to us over the basic price in terms of the April 1 decision. Barring Saudi Arabia, all other oil producing countries are reported to have imposed surcharge at varying rates. Amongst the suppliers to us, Iraq has imposed a surcharge in two instalments which will result in an additional burden to the tune of about Rs 40 crores. Iran, with whom an agreement has been signed a few days ago for the import of 2.6 million tonnes of crude oil, too is levying a surcharge of 60 cents per barrel. Consequently, the Darius crude, which was priced at $16.57 a barrel at the time of the signing of the above agreement, will now cost nearly $17.2 a barrel. The additional burden on this count is estimated to be around Rs 10 crores. Abu Dhabi, Libya and the Soviet Union also are stated to have imposed surcharges on their exports of crude oil.

The prices of petroleum products as well are zooming. Both high speed diesel oil and kerosene, which we import in substantial quantities from the Soviet Union, Iraq and Kuwait, are said to be in tight supply. Their spot prices, therefore, are quoted at about $100 per tonne higher than the official prices. The Soviet Union is understood to be demanding spot rates for its supplies of kerosene and HSD.

Even the current estimate of additional burden of Rs 700 crores, of course, is likely to be upset as there are portents of a further increase in the prices of crude oil and petroleum products in the terminal quarter of the current calendar year.

With the signing of the agreement with Iran for the import of 2.6 million tonnes of crude oil, whatever shortfall was likely to be there in effecting imports to the overall extent of nearly 16.5 million tonnes is claimed to have been bridged. Algeria too has offered one million tonnes of crude oil. But no agreement has been signed in this regard as yet,

The possibility of the requisite quantities of HSD, kerosene, and naphtha—4.1 million tonnes—being not available for import, however, is not ruled out. Strenuous efforts, of course, are being made to tie up these supplies. These imports have to be effected to balance the domestic supplies with demand.

The indigenous production of crude oil this year, as reported earlier, may be around 13 million tonnes, as against 12.3 million tonnes last year.

The measures to economise the consumption of petroleum products, par cularly petrol, by government and publ sector undertakings are claimed to ha been initiated over a wide front. Th decision on raising the prices of thes products to compensate the refineries fo the increased cost of crude oil, howeve is yet to be taken.

Carrying coal to New Castle

THE DECISION of the government of Indi to import gunny bags from Banglades brings out dramatically the heavy loss i production that is being incurred on account of the severe shortage of power. In 1977, the jute industry lost production of 38,000 tonnes valued at Rs 15 crores due to power cuts compared to 5000 tonnes worth Rs 2 crores in 1976. In 1978, the loss on this account was about 55,000 tonnes. In the current year, the loss has been more substantial. The Industry minister revealed in Lok Sabha on May 9 that the loss in production in March was around 15,000 tonnes and in April 18,000 tonnes. He

CHARAN SINGH IS A REACTIONARY
LET US CALL HIM RSS
Kerry

said that the government of West Bengal had decided to give a subsidy of 15 per cent to the industrial units for installing generating sets. But he did not disclose how many jute mills had set up their own generators and how many of them had been able to utilise them. It is clear however that in the next few months the production of jute goods will continue to suffer because of the chaotic situation that prevails in regard to power supply.

mills' complaint

It is hardly surprising therefore that a team of officials of the State Trading Corporation and the Food Corporation recently visited Dacca to arrange for the import of 60,000 bales of gunny bags for quick delivery. It will be worthwhile to know at what prices and on what terms these imports are being arranged. In the past the government of India had been reluctant not only to pay a fair price to the jute goods bought from the Indian mills, but also to make the payment within a reasonable time after delivery. For example, the then chairman of the Indian Jute Mills Association, Mr I.K. Kejriwal, said at its annual meeting held on July 11, 1978 that only in June in that year the industry had received the final prices from the government for the supply of B. twills and D.W. flour bags made by it from April, 1973 to July, 1975, that is, after more than three years.

The final prices fixed by the government were much lower than the ruling market prices. Moreover, the industry had lost a substantial amount on account of interest because of the delay in payment. "We cannot but express our deep regret", said Mr Kejriwal, "that at a time when the industry is passing through great financial crisis, it has been made to suffer heavy financial losses by government". There had been occasions when the prices paid by the government to the industry were lower than the market prices by as much as Rs 1000 per tonne. Besides, the practice of obtaining goods on a piecemeal basis instead of a long-term agreement had also created many difficulties for the industry.

India's domestic demand for gunny bags has sharply increased from 350,000 tonnes in 1967 to 661,300 tonnes in 1977 and 755,000 tonnes in 1978. In the current year there has been a further increase in the internal demand. But the government of India does not seem to have correctly anticipated this trend and drawn up a phased programme for its purchase. There have been occasions when the industry had to carry huge stocks of sacking goods because of the absence of purchase by the Directorate General of Supplies and Disposals and the fall in the demand from foreign countries. Now that the government has been compelled by circumstances to turn to Bangladesh for getting its requirements of sacking goods, it is hoped that in future it will pursue a realistic policy in implementing its programme of domestic purchases.

The bargemen's strike, followed by the strike by jute workers and by port labour, eroded the confidence of foreign buyers of Indian jute goods. The persistent shortage of power and the import of gunny bags from Bangladesh will further hurt India's reputation as a reliable source of supply to world markets.

Miners have it

COAL MINERS have been able to strike quite a hard bargain which will cost the industry nearly Rs 115 crores per annum in increased wage costs. Although the minimum wage of Rs 512 per month, which has been agreed to, is Rs 48 lower than that demanded by the workers' unions, it marks a substantial step-up from the present level of Rs 438.10.

The minimum basic wage of a coal-mine worker will now be Rs 390 plus Rs 39 as attendance bonus, Rs 76 as dearness allowance and Rs 7 as benefit of the attendance bonus. Besides, he will get an underground working allowance at the rate of 15 per cent, instead of 10 per cent at present, and several other benefits for the first time. These benefits include Rs 12 per month house rent allowance if he is not provided housing facilities, eleven days' casual leave in a year, group insurance facility (upto Rs 10,000), leave travel allowance and entitlement to employment of dependents in case of accident or death. Preference is to be provided in employment to the dependants of even the retiring employees. The existing discrimination in the payment of overtime for work on a weekly day of rest is also to be removed. Every worker will now get this payment at twice the normal wage.

The agreement takes effect from January 1, 1979, and will remain in force for four years. It replaces the previous agreement which expired on December 31, 1978.

In signing the agreement, the guideline prescribed by the Bureau of Public Sector Undertakings, limiting the wage increases in public sector enterprises to 10 per cent, has been ignored. This can be expected to create complications for the managements of the other undertakings in the public sector.

improved output

The minister for Energy, Mr P. Ramachandran, has expressed the hope that as a sequel to the above accord, coal output in the country this year will go up to 118 million tonnes as envisaged—an improvement of nearly 13 million tonnes over the last year's level. Much, however, will depend in this regard on the availability of adequate power and removal of rail transportation bottlenecks.

A significant increase in coal prices cannot be ruled out now as besides the additional burden cast on it, the industry has been undergoing heavy losses for several years. The rise in coal prices may be substantially more than Rs 10 per tonne which was expected till lately. This is bound to fuel the current inflationary tendencies in the economy.

It remains to be seen to what extent the increased wages will be helpful in improving productivity in the industry. If the expectation of increase in output to 118 million tonnes materialises, that would have a healthy impact on the economy and also assist in containing the oil import bill which is gaining menacing proportions. Having succeeded in striking a hard bargain, the workers ought to fulfil now the task expected of them.

Some other demands of workers still remain to be sorted out. The joint bipartite committee will iron them out in the next three months.

Chinese chequer

TWO DECADES ago, the Chinese "leap forward" had resulted in the fixation of agricultural and industrial targets which were far too optimistic to be feasible. It took two or three years for the leaders to discover that they had deceived themselves even more than their own people or the world outside by their fantastic claims for production and productivity made at that time. In a somewhat similar over-ambitious programme of mechanization of agriculture to raise foodgrain production to 400 million tonnes by 1985 the planners appear to have miscalculated again. In 1978 production was only 285 million tonnes and since the country has a high proportion of uncultivable land, the problems of reclamation and intensive farming cannot be solved in a short term. It is reported that the plan to mechanize 85 per cent of agricultural operations did not achieve much popularity amongst the peasantry which has always relied on manual labour for a greater part of their farming methods. Mechanization would also have involved imported equipment and technology which should properly be preceded by considerable training of farm hands.

Naturally there has been a switch over to other methods of raising yields per hectare such as the extensive use of chemical fertilizers. China has always had a high level of productivity on the land, with grain yields being as much as 12 tonnes per hectare in the tropical south and about six tonnes in the colder northern regions. It is not easy to improve on these levels of yield but the race between increase in population and food production will continue and shortages may arise unless new sources of food are found and developed. The theory that meat may increasingly be regarded as a substitute for grain does not appear to be credible since the production of fodder, except where it is raised on land unfit for superior crops, will be much harder to achieve and create equally insurmountable problems. However, there are large areas of grassland in Chinese north, which could be better utilised to support more organized animal husbandry than at present.

Farmers are being encouraged to rely on their own wisdom instead of the ideological guidelines they have hitherto been trained to follow. This is expected to help in the planting of crops on the basis of what the soil conditions would justify and the climatic variations from year to year warrant. More initiative will have to be left to the peasants and their organisations at the level of the commune, in matters like double cropping, choice of wheat or rice and subsidiary farming of cash crops or livestock farming. However, the policy changes have been too frequent and puzzling to outsiders that it is difficult to predict with any certainty the future trends in agricultural surpluses in that country on which will partly depend the availability of food surpluses in the rest of the world.

Something of the same instability is also seen in the external negotiations on trade and aid which China has been conducting with Japan and the industrialized western nations. Quite recently China froze the orders which it had earlier negotiated with Japan for supplies of equipment and machinery. The reasons are not known but it is believed that they might have had something to do with the Vietnam war. China has asked the Japanese suppliers to renegotiate these contracts on an individual basis instead of on a collective basis as was done previously. The object seems to be to drive a harder bargain if Japanese businessmen compete among themselves in offering favourable terms. The Japanese are too shrewd to be misled by these tactics and it is possible that they will consult among themselves before agreeing to Chinese terms. The underlying objective seems to be to get credits at very low interests rates in order to reduce the strain on repayments.

An agreement is expected to be signed soon in Japan on a loan package of $10,000 million to the Bank of China to cover the cost of oil and coal development projects, purchase of other Japanese industrial plant and also for short-term imports of urgent raw materials and consumer goods. The Japanese have been induced to offer low interest rates on this credit in the hope that this would help revive the yen credit frozen earlier this year at the time of the outbreak of the Vietnam war. Whatever one may say about the tendency of the Chinese to be tough in their bargaining, one cannot but admire their pragmatism and complete freedom from ideological inhibitions seen in their readiness to agree to the most practicable terms. The Chinese minister for Foreign Trade has expressed his readiness to consider link-ups with foreign multinationals so long as their terms are consistent with Chinese ability to repay through exports. The unfolding of these changes in this strategy remains to be watched.

Dinesh Singh mission

THE VISIT of Mr Dinesh Singh to the ASEAN countries as a special envoy of the prime minister should help to explore the possibilities of cooperative action at the forthcoming meeting of the coordinating bureau of non-aligned nations at Colombo in the second week of June. It is indeed a well-planned move. He has both the experience and ability to be able to accomplish such kind of fact-finding work.

On May 22, Mr Dinesh Singh discussed with president Marcos of Philippines the possibilities of wider Asian cooperation for peace and economic development and strengthening Indo-Philippine bilateral ties. Mr Dinesh Singh felt that there was not much divergence in the assessment of south-east Asian situation as between India and the Philippines. He has already visited Singapore, Malaysia and Indonesia and had talks at Bangkok with Thai leaders. Before returning he proposes to visit Hanoi.

Mr Dinesh Singh discussed with the ASEAN heads of government the situation in south-east Asia especially the Indo-China conflict and India's cooperation with ASEAN countries both bilaterally and multilaterally. In his talks he has stressed the point that Asia was the only continent which did not have any organisation of political, economic or even cultural nature. While ASEAN was emerging as a regional organisation, which India supported, "we feel we should think in terms of enlarging cooperation". Mr Dinesh Singh seemed hopeful that ASEAN countries would be favourably inclined towards wider multilateral cooperation between India and the ASEAN when the basic issues would be discussed at the ASEAN Foreign ministers' meeting in Bali next month.

Mr Dinesh Singh has made it clear that India was not making any specific proposal in this regard at the present juncture, although it would be useful to have an organisation of Asian developing countries for discussing wider cooperation. Now that China was taking active interest in international matters and regarded itself as a developing country, there should be no difficulty in attempting larger Asian cooperation. He hoped that the Russians would also help in promoting such wider Asian cooperation as large areas of the Soviet Union were in Asia.

This visit is also likely to provide important clues to the recognition of the present Kampuchean regime. The Indian government is not very anxious to recognise the present regime in a hurry without waiting for the line taken by the neighbouring countries. Particularly important is the attitude of Thailand, where nearly 100,000 Kampucheans including soldiers loyal to the overthrown Pol Pot regime, have taken shelter. Mr Dinesh Singh therefore pointed out that the ASEAN countries might take concerted action with Thailand which was already disarming the Khmer Rouge forces and trying to stop them passing through its territory. Generally ASEAN countries wanted to be neutral between China and Vietnam and between Vietnam and the Soviet Union.

Devalued rupiah

THE INDONESIAN government's devaluation of the rupiah at the end of last year has not as yet brought a solution to its major economic problems of growth and control of inflation. Meanwhile, it appears, there has also been a political fall-out in terms of increasing discontent of army commanders, who wield a considerable measure of political influence and are angry at not having been fully taken into confidence on the change in the value of the currency. It appears that the Chinese community, which dominates trade and industry has benefited from devaluation much more than the other sections.

The inflation in the Indonesian economy has reached an annual rate of over 20 per cent and there is nothing to indicate that the trend has been or will soon be halted. The nature of the regime will at least for some time, keep popular unrest under control if—and this is a big if—the administration succeeds in achieving the planned growth rate of about seven per cent. The heavy public outlays envisaged in the plan are by no means a guarantee of the achievement of this target rate and the government may be most vulnerable in the matter of food imports as more than two million tonnes of rice are expected to be bought from outside to keep pace with the growth in consumption of the rising population.

over-ambitious targets

Indonesia offers a clear case of over-optimistic planning based on the post-1974 oil boom, which is no longer yielding resources on the scale expected. The recent OPEC price increase may partly come to the rescue of the economy and there are still hopes of the discovery of new oil fields to boost production. But imports are still rising rapidly and the current balance of payments deficit is expected to widen to $1,200 million. A devaluation of the order of 33.6 per cent has naturally raised import costs and contributed to substantial increase in the cost of living though it would protect domestic producers against competition from imported goods.

In an economy in which costs are estimated to have increased by about 50 per cent in the last six or seven years, there is bound to be a certain amount of dissatisfaction. The administration has never been noted for its efficiency in the management of essential supplies and foreign investors have always wondered how they could make any headway with the bureaucracy and its dilatory methods.

The fact that president Suharto will soon have to seek the vote of the people for the third time it may compel him to inject some vigour into the administration and project himself as still the best leader the country can have.

Austria votes for stability

THE RETURN to power of the Austrian Socialist Party under the leadership of Dr Bruno Kreisky has created considerable surprise in Europe. Nearly unanimous opinion before the election was that Austria was heading for a change of government. This feeling had been created by the infighting among the leaders of the Socialist Party, thereby causing an erosion of its image. Second, the Socialist Party had shown a poor record in the local elections held in the country nearly a year ago. Contrary to the general belief, the Socialists have won a fourth consecutive victory and increased their strength from 93 to 95 seats out of a total of 183. In 1970, the gap between the socialists and the main opposition People's Party was marginal. It has now widened to a difference of 18 seats. Obviously the People's Party, headed by Dr Josef Taus, a former banker, and the Freedom Party, led by right-wing mayor of Graz, Dr Alexander Goetz, presented a more conservative image than the Austrians were prepared to accept. The People's Party lost four of its 80 seats and the Freedom Party increased its strength by one seat to 11. The 68-year old chancellor is now set for four more years in power as his party's undisputed leader.

Although the record of the Socialists was poor at the time of the local election last year, Dr Kreisky seems to have improved his image considerably during the year. For instance, he promptly accepted the verdict of a referendum which gave a negative vote in respect of Austria's first nuclear power station. In fact, the opposition also did the same, thereby taking the ssue out of politics and the present elections.

It is now obvious that the Socialist government had made considerable progress during its years in power. Austria is a haven of industrial peace with a four per cent growth in the seventies and virtual full employment. The schilling is one of the stablest currencies and the inflation rate in the economy was down to 3.6 per cent last year. It is significant that about 76 per cent of Austrians declared in a recent opinion poll that they saw "Austria as it is today" as a model for the whole world.

Even staunch conservatives pay tribute to the international prestige of Dr Kreisky. In December, 1975, when Dr Kreisky negotiated free passage for the terrorists who hijacked the OPEC ministers, he was widely criticised by foreign observers for giving in to blackmail. Yet most Austrians approved his negotiating tactics. Earlier, he was deeply involved in the negotiations leading in 1955 to the Austrian State Treaty and the termination of the four-power occupation. Abroad, he has been regarded as "Mr Austria".

For his countrymen, he also represents a bridge between past and present, and an overcoming of the Nazi past. However, Dr Kreisky resents suggestions that he is a "conservative". As a daring anti-Fascist and Socialist, he spent two years in prison before emigrating to Sweden in 1938.

Bulgaria looks south

ECONOMIC AND trade relations with the developing countries are being increasingly promoted by Bulgaria. Foreign trade organisations direct their activities to the further expansion of Bulgaria's economic cooperation with these countries through the delivery of machines and equipment, building of complete plants and rendering of scientific and technological assistance by sending specialists and technical know-how. The intensive promotion of foreign trade relations are likely to result in an increase of about nine per cent in the total volume of trade during 1979. The structure of exports will also be improved so that 50 per cent of it will be machinery and equipment.

During 1978 the Bulgarian Chamber of Commerce and Industry devoted its efforts to extend cooperation with similar organizations of the Colombian Cham-

Eastern Economist 30 Years Ago

MAY 27, 1949

The inauguration, last week, by the Governor-General of the eighth session of the All-India Newspaper Editors' Conference at Bangalore, has given to this Conference, for the first time, official recognition of a kind which, before Independence, was generally reserved for more mature, and possibly more conservative, institutions. This is possibly a mark of the increasing catholicity with which official blessing is bestowed, as well as a mark of the ascent that the Press has made, as the Fourth Estate of the Realm, in this new democratic age. The Governor-General's presence has possibly been bestowed occasionally on less worthy causes, and the extent of the honour that is derived from it tends to vary inversely with the generosity with which it is given. But his inauguration of the Newspaper Editors' Conference was appropriate enough. The Press and the Government rub shoulders every day and it only appropriate that Press institutions should enjoy the privileges which are freely granted to commercial or to academic institutions. If these institutions have not lived so long, they have acquired in our time very large and extensive power; and it is appropriate that they should enjoy a status commensurate with that power, irrespective of the speed with which it has been attained.

bers of Commerce in Bogota, the Chamber of Commerce of the People's Democratic Republic of Yemen, the Tunisian Union of Industrialists, Merchants and Craftsmen. It also proposed an agreement on cooperation with the Federation of the Chambers of Commerce in Pakistan. A working programme was signed with the Mexican Institute of Foreign Trade and agreements were proposed to be signed with the Federation of the Chambers of Commerce in West Africa and the National Chambers of Commerce of Nigeria, Ghana and other African countries.

The visits paid to Bulgaria by economic delegations of Colombia, Pakistan, Indonesia, Abu Dhabi, Tunisia, the People's Democratic Republic of Yemen, and the series of official participation of the People's Republic of Bulgaria in international fairs and exhibitions in the developing countries were also an eloquent manifestation of Bulgaria's expanding business contacts with these countries.

participation in fairs

During 1979 Bulgaria will participate in the international fairs at Casablanca (Morocco) and Tripoli (Libya). Bulgarian foreign trade organisations will be represented independently or together with other organisations in exhibitions at Addis Ababa (Ethiopia) and Abu Dhabi (United Arab Emirates). Another independent exhibition will be held in Tunis. This year's participations in international fairs include those in Damascus (Syria) in July, in Teheran (Iran) and Algiers in September, Baghdad (Iraq) and Cairo (Egypt) in October, Lagos (Nigeria) and Delhi (India) in November.

For several years now Bulgaria has been supplying India with complete plants and machinery for food, tobacco, chemical and pharmaceutical industries. Supplies were regulated by the agreement on Economic and Technical Cooperation signed between Bulgaria and India in 1967. Under this agreement Bulgaria granted India a long-term credit to the tune of 15 million dollars. Twelve enterprises of India's food, tobacco and canning industry and a factory turning out gamma-globulin and albumin have already been working. Bulgaria has participated also in the construction of the fertilizer complex at Sindri by supplying the equipment for a sulphuric acid plant. Its experience in the field of agriculture was also utilised in the establishment of two agro-industrial complexes in the states of Karnataka and Bihar.

Venezuela's pains of prosperity

THE PROSPERITY generated in oil-rich countries since the boom in crude prices, has affected them in different ways but it appears that most of them are now facing the problems of overspending induced by the euphoria of external surpluses. Venezuela is an example of the country which achieved the extraordinary result of converting a payment surplus of $6,000 million in 1974 to a deficit of about $4,600 million last year, The country has lost about $3,000 million in her foreign exchange reserves. Oil exports in spite of the higher prices have been unable to match the growth of imports at a rate of about 40 per cent a year. The lack of new sources of petroleum, the increase in local consumption of petroleum products as a result of the new affluence, and the rising costs of production have all contributed to a decline in overall export earnings and the reduction of the oil industry's contribution to the government's revenue, compelling the latter to resort to deficit financing.

Fortunately, unlike other Latin American countries, Venezuela has a low, almost negligible, rate of unemployment. This has helped to mitigate the effects of inflation. It may take a few more years for the projects started with the aid of oil money to produce steel, aluminium and electricity and eventually the economy should be able to manage with the indigenous substitutes for the products now imported. The increases in OPEC posted prices of crude should help Venezuela to increase its export earnings this year and try to achieve an equilibrium in the near future. Venezuela is also reorganizing its oil refining industry so that it could create new refining capacity for the heavy oil which hitherto could not be used. The technological changes required will be costly but there is no alternative to making these heavy investments in view of the growlh in domestic demand and the importance of maintaining the export markets.

Venezuela is also a donor of moderate amounts of aid to other central American and Caribbean nations. The poorer Latin American countries have always resented the frequent price hikes by the oil producers and in an effort to molify them, Venezuela is attempting to persuade its fellow OPEC members to increase their aid by adding to the special fund for assistance to the non-oil developing countries. It is not clear what forms this would take, since the OPEC special fund has already depleted its resources. Venezuela's new president, Mr Luis Herrera Campins, is a dynamic personality and seems determined to restore the country's economy to its earlier healthy condition. The problem is not unmanageable and it is believed that Mr Campins will be more successful than his predecessor Mr Carlos Andres Perez.

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Tata assails statism in the economy

In an exclusive interview to the *Finanacial Express* on May 14, the text of which is reproduced here with the permission of the Editor of that newspaper, Mr J.R.D. Tata repeated his warning that the erosion of the mixed economy, both concept and practice, was proceeding apace and that the policies of the present government were hastening this disastrous process. He hit out against the intolerance of politicians in office who could not digest cricitisms of government policies, however legitimate, but would even misinterpret and misrepresent patriotic exhortations of eminent industrialists to invest more and produce more for the common good as invitations to entrepreneurs to violate the government's licensing or other regulatory procedures.

He brought out the fallacies and contradictions in government planning, one of the more harmful consequences of which was the wasteful growth of the public sector at the expense of productive investments in the private sector. The net effect of this is an imbalance in the employment of resources which, if properly organized and invested, could have provided additional job opportunities on a large scale as well as speeded up the growth of the national economy. The following are the questions put to Mr J.R.D. Tata and the answers given by him :

Q: What is your reaction to the conflicting views by cantral ministers on nationalisation of steel and other key industries? The Industry minister is never tired of holding out threats of state takeover, while the prime minister is understood to be against indiscriminate nationalisation. In your January 8 memorandum to the National Executive of the Janata party, you had logically and rationally argued the case against nationalisation of Tata Steel. What is the impression you have since gained about the impact of your memorandum on central government circles?

According to the Janata government's spokesmen, like Mr George Fernandes and Mr Biju Patnaik, since Tatas hold only a little over four per cent of the share capital of TISCO, there is no reason why they should retain control of its management. You have yourself pointed out that the ownership of the company is spread among 80,000 shareholders, and that 45 per cent of the voting power of the company is held by the government mainly through its financial institutions.

It is in tune with Janata's view that ownership should, as far as possible, be divorced from management. Some sections of the public ask why Tatas should be so anxious to hold on to TISCO's management if their financial stake in it is so insignificant?

A: My reaction and view about the proposals advanced by two members of the cabinet in regard to the takeover of Tata Steel and the automobile and aluminium industries were fully expressed in the memorandum I wrote to the National Executive of the Janata party on January 8, 1979, which was widely publicised in the press at the time. Although that memorandum dealt mainly with the proposal to take over Tata Steel, the views expressed also applied generally to the other two industries.

The memorandum seems to have made some impression on the party executive and to have led to the creation of a panel of nine members charged with undertaking an in-depth study and making recommendations on the perennial subject of concentration of economic power in private hands, which has been constantly trotted out by leftist elements in all our political parties during the past 20 years.

I am somewhat surprised at the second part of this question for two reasons. First, as far as I know, it is not the public but the minister who had raised this particular point, which, I thought, I had adequately answered in my memorandum. Second, TISCO is not managed by Tatas but by a board of fifteen directors of which five are from the public secto and three whole-time professional management men from Jamshedpur. In view o government's dominant holding and als by virtue of all the other powers the have in their hands, the choice of TISCO management, whether at the board or lower level, and its policies are entirely and effectively within the control of the government.

Tatas derive absolutely no material or financial advantage out of TISCO except as shareholders. There can be no question, therefore, of their being anxious to hold on to something which they don't have anyway. I wrote, as I did, to the National Executive of the ruling party not in protest against a change of management but against a government takeover, because **I was convinced that, if implemented, it would be highly detrimental not only to the interests of 80,000 shareholders and 60,000 employees, and to the country as a whole, but would also add another nail in the coffin of the mixed economy which has already been seriously undermined by the policies and actions of the consecutive governments over the last twenty years.**

Q: Referring to the large losses sustained by public sector undertakings, Mr George Fernandes recently opined that there was no need for public sector enterprises "to be apologetic about anything at all" and that the "real bane of the public sector in this country is the concept of the mixed economy". Please let me have your comment, bearing in mind the following statement made by the late prime minister, Nehru: "It is foolish to have a private sector and then to undermine it and prevent it from functioning. I personally think that even for the proper functioning of the public sector, it is desirable to have a competitive private sector".

A: Mr George Fernandes's statement mentioned by you, that there is nothing for the public sector to be apologetic about, is surprising, to say the least, in the light of the current disastrous shortages in the public sector power and coal industries, which, at this very moment, are crippling a host of industries and costing the country perhaps Rs 1,000 crores per year or more; while his statement, if he really made it, that the real bane of the public sector in this country was the concept of the mixed economy, is even more astonishing. If a bane is to be mentioned at all, it is that of those politicians, who ignorant of practical industrial realities and obsessed by obsolete ideologies, have, since independence, hamstrung and distorted the economic progress of the country.

I am one of those who believe that if public sector enterprises in India were given the same freedom of management enjoyed by similar enterprises in Germany, France or Italy, they would quickly show far greater efficiency and better results.

Q: Do you feel that the present-day attempts by government seeking to alter the basic character of our mixed economy and take·over important companies in the private sector have been responsible for the adverse climate of confidence, inhibiting investment?

A: There is no doubt in my view that the recent attempts on the part of some elements in the Janata government to take over important industries have further aggravated the adverse climate of confidence and inhibited investment in economic development.

Q: As early as April, 1975, you predicted that by 1980 or so, the government would control, directly or indirectly, at least 80 per cent of the country's industrial capital. You also said that with the government's sweeping control over industrial capital, and with the existence of all-embracing controls which have robbed the private sector even of basic managerial functions, the government's stranglehold would be so complete that, for practical purposes, "the private sector and hence the mixed economy itself would have ceased to exist as an effective force", Since 1980 is fast approaching—is less than a year away—how far have your predictions come true?

A: I should be very happy to be proved wrong about my forecast that around 1980-81, almost 80 per cent of the stock of capital in industry and mining will directly or indirectly be in the hands of government, but:

As the direct purchase of equity shares by government institutions continues unabated;

As the right of convertibility continues to be exercised in the case of almost all well-managed companies;

As the high cost of new projects, particularly in the core sector to which the large houses are confined, forces companies to borrow heavily from government's financial institutions, which have been given a monopoly of lendable funds;

As a good part of the foreign holdings of FERA companies, which have to be disinvested, are transferred to public sector financial institutions; and last but not least;

As the assets of government's own public sector enterprises increase at a high rate year by year, while private sector investments stagnate.

I am sorry to say my prediction is still likely to have been proved right.

Q: Dispassionate observers feel that the private sector industrialists have been needlessly timid, hesitant and indifferent to the incessant attacks on them by the powers that-be and that the time has come for them to come into the open and tell the public on which foot the boot really is.

Those in charge of the private sector, it is felt, should launch a campaign for economic freedom to maximise production coupled with a systematic programme of educating and enlightening the people, especially in the interior areas, about the private sector's contribution to the country's advancement. Your comment please?

A: You may be right in criticising industrialists for failing to react publicly to the continuing attacks on the private sector by some central ministers and others. Such hesitancy and failure, does, I suppose, show a lack of courage. **But it is only fair to point out that in the permit and licence raj, under which the private sector has had to operate for the past two decades, heads of industrial companies must take into account the interests of their companies, and of the many thousands of shareholders with whose interests they have been charged, which could be severely damaged by ministerial reaction to their criticism.**

European, American and Japanese industrialists can, and do strongly express their views and criticise their governments without fear of retaliation in the form of denial of licences, or other forms of punishment for daring to do so. Not so in India. Only recently perfectly harmless advice, which could be considered even patriotic, given by an old and respected leader of industry, urging industrialists not to be unduly perturbed by government's policies and actions, and to go ahead and produce more for the country's good, was criticised, as advocating defiance of government by a central minister who threatened punishment to those who followed Mr G.D. Birla's advice. **This is a sad consequence of an arrogant belief that all knowledge and wisdom in India are concentrated in the government and can be questioned by spokesmen of industry only at their peril.**

Q: We have been hearing about TISCO's Rs 440-crore "ambitious" modernisation proposal; subsequently there have been reports that this proposal had been diluted by the government, favouring only modernisation of the blast furnace complex costing Rs 113 crores and deferring the modernisation of rolling mills.

Recently, the Steel minister, Mr Patnaik, informed parliament that no formal request had been received by the government from Tatas for their modernisation programme costing Rs 118 crores.

At the same time, the Planning Commission has reportedly approved a budgetary allocation of about Rs 600 crores for expansion, modernisation and development of the steel sector during 1979-80. Are not the private sector mills included? Kindly elucidate.

A: In November 1977, when informal proposals were first mooted, TISCO's modernisation programme was estimated to cost Rs 440 crores, including a narrow strip mill, a light merchant bar and rod mill and the replacement of a 55 year-old steel melting shop by a new one using one of the modern oxygen processes.

In discussions with the ministry of Steel, the company dropped the narrow strip mill from the programme, because a glut in flat products was expected in the coming years in the light of the expansion and diversification programme of the Rourkela and Bokaro plants.

Subsequently, when TISCO's proposals were submitted to the Planning Commission, it was further indicated that the additional demand for wire rods and light bars would come up only in the late 1980's. In view of this, the company decided upon a curtailed modernisation programme in two phases: Phase I covering oxygen steel making, some improvements to two of its blast furnaces and a bar forging press: and phase II covering the merchant bar and rod mill.

The first phase is now estimated to cost about Rs 150 crores, because to the Rs 118 crores mentioned by you, have been added an oxygen plant, a dolomite calcining plant and a dolomite block plant, which it was originally hoped would be undertaken by others.

The budgetary allocation of Rs 600 crores reported to have been made by the Planning Commission for expansion, modernisation and development of the steel sector for 1979-80, does not include any provision for modernisation of TISCO, which has to find the required funds from its own resources, supplemented by borrowings.

Q: On April 6, the Steel ministry announced a surcharge of Rs 100 per tonne on pig iron and 15 per cent surcharge on all manufactured items of steel. (About a year ago the government raised the price of saleable steel on an average of Rs 175 per tonne and levied a development surcharge of Rs 100 per tonne. At the same time, the ceiling on dividend was fixed at 12 per cent.)

The declared objective of the increase in surcharge is to raise funds for expansion of the country's steel making capacity. Critics have, however, stated that the surcharge would be paid to the Steel Development Fund, whose resources are used at the government's discretion; and, in effect, the private sector steel industry would not stand to gain anything. The real intention and effect of the increase may please be explained.

A: It is true that the surcharges levied in June 1978 and April 1979 are to be paid into a Steel Development Fund which is to be used at the government's discretion. Modalities for disbursements from the fund have not yet been announced. However, the company confidently expects to put before the fund authorities for approval capital expenditure projects so that substantial amounts from the fund can be made available for financing a part of its modernisation programme.

It is not true that the private sector steel industry will not stand to gain anything from the recent price increases, since a part of these increases, apart from modernisation and development, will also be utilised to offset price escalations.

Q: Regarding our total steel production, compared to all the advanced countries, our backwardness is startling. While India is straining its utmost even to produce 18 miliion tonnes annually (about 10 million tonnes ingot steel and 7.5 million tonnes of saleable steel), in 1978 the USSR produced 152.0 million tonnes, the US 123.8 million tonnes, Japan 102.0 million tonnes; the UK 20.2 million tonnes. If per capita steel consumption is any indication of a country's economic prosperity, then India with 14 kg ranks 22nd in the world, while Japan tops the list with 800 kg. In respect of steel production, India ranks 16th. What, in your opinion, is needed to record a rise in India's steel output and create a commensurate demand at home?

A: It is true that the per capita consumption of steel in India is deplorably low, but so is that of almost everything else including food, but that is a consequence of the country's generally low standard of living and economic development. **How much steel India should produce and, therefore, how much it should spend on creating steel making capacity, cannot be considered in isolation, but on the basis of the total resources available, and in the right priorities in their allocation as between competing needs.**

In my view the main priorities for eliminating poverty are employment, particularly in agricultural and other rural pursuits, education, transport, and the production of fuel and consumption goods.

As it happens, the steel industry is the most capital intensive and the least labour intensive of all engineering industries. The steel industry is capital intensive not only in the cost of its own manufacturing plants but also in the enormous investment it requires in the development of its basic inputs such as raw materials, coal, transport and power. For instance, the annual production of every million tonne of steel requires about four million tonnes of raw materials and coal, rail transport for five million tonnes, including the million tonnes of steel itself, and 50,000 kilowatts of installed electric power. The capital cost of all these would add another Rs 300 crores or so to the Rs 600 crores for the one million tonne steel capacity itself.

The financial and technical resources of the country should, therefore, be allocated to steel development only to the extent that they serve the main socio-economic objectives better than by expending them on the creation of other productive assets. Even though the world price of steel has enormously increased in the last twenty years or so, it is still one of the cheapest industrial products.

From this it would seem to be clear therefore that until India reaches a state of economic development in which it will have the resources to meet both high and low priority needs, it should concentrate first on the development of the former and, to the extent necessary import for some years a part of its requirements in steel and similar products. This, of course, does not mean that the Indian steel industry should not be made to grow, but only at a rate which takes these considerations into account.

The present government's immediate plans for the expansion of existing units and the creation of a couple of new plants is, therefore, on the right lines in contrast to the absurd proposal mooted not so long ago by a previous government to expand India's steel capacity to 75 million tonnes by the turn of the century, which would have involved a total capital investment of the order of Rs 60,000 crores in terms of today's rupee.

In this context it is worth noting that countries like Switzerland, Holland and Norway, amongst others, although they are highly industrialised and prosperous, have no basic steel industry at all.

Q: In July last year, the government issued a list of 20 large industrial houses showing, *inter alia*, that the assets of Tata's grew from Rs 641.93 crores in 1972 to Rs 924.41 crores in 1975. According to a recent statement (February 6, 1979) issued by the department of Company Affairs, the assets of Tatas had further increased to Rs 980.77 crores, as on June 30, 1978. Is the government's yardstick of assessment of these assets correct?

A: The government has chosen to express the growth of a company only in terms of the growth of its assets, disregarding the fact that much of such growth merely reflected the tremendous inflation which had swollen the cost of such assets in the last decade; second, it failed to take into account whether or not productive capacity had grown, and third, the calculation of the value of the assets astonishingly failed to deduct current liabilities, while including current assets.

A striking example of how misleading and unfair such a formula can be in assessing growth is the Tata Iron and Steel Company, the capacity of which has remained at two million tonnes for the past twenty years, although its assets have doubled during that period merely as a result of replacements of plant and machinery.

Q: Considering the recent trend of investments lagging behind savings, what pragmatic steps would you recommend for a major breakthrough in individual and corporate savings and investment?

A: The main step should be to free, as far as possible, the private sector from those constricting controls to which it has been increasingly subjected during the past twenty years which are not absolutely essential to the achievement of national objectives. The report of the Committee on Industrial Licensing sets forth detailed recommendations on the subject. I hope that at least some of them will be accepted and acted upon by the government.

Q: As a solution to labour indiscipline and to create among workers a sense of belonging to the industry, are you in favour of introducing "Trusteeship in Industry" and "Industrial Democracy?" Would you recommend only consultation or direct participation at all levels between the management and workers?

A: I believe in the need to create amongst workers a sense not only of participation and of belonging to the industry, but also of the industry belonging to them as citizens of the nation working for it. As a general proposition, therefore, I believe in the two concepts you mention—if by "Trusteeship" we mean that directors and management should feel and act as trustees of shareholders, workers and consumers, and if by "Industrial Democracy" we mean workers' participation wherever possible in shop floor and ultimately higher level decisions.

Unfortunately, the problem of overcoming the widespread and growing alientation between management and employees happens to be perhaps the most difficult and intractable problem in industry, not only in India but throughout the world.

Progress has been, and still is, inordinately slow, varying between stunning achievement in rare cases and miserable failure in most others. **The degree of skill or education amongst workers seems to play a relatively small part in the matter, as can be seen from the very different situation that prevails in England and Germany where the workers are basically of the same racial stock, economic background and education; while on the other hand, remarkable results have been achieved, for instance, at Jamshedpur where the workers come from all parts and all communities of India and the average level of education is much lower than in Europe.**

I firmly believe that progress, or the lack of it, depends primarily on the attitudes of management who—human nature being what it is—are reluctant to part with such power as they may have and of the unions who usually expect too much too quickly.

This is a subject on which one could elaborate endlessly, and I can hardly venture to do so in answering briefly the question you have put to me.

Q: What concrete steps would you suggest to tackle the mounting unemployment problem—the number of jobless is now estimated at 45 million. What are the potentialities of such nation-building works as construction of roads, irrigation and housing?

A: There is no simple answer to this question, for the problem is a very complex and multi-faceted one. Innumerable studies and proposals have been made on the subject, and I shall deal here only with one category of measures which I consider the most practical and promising.

Most of the jobless or under-employed in India are located in the rural areas and the Janata government, which has rightly reoriented the nation's economic effort towards the countryside without neglecting the urban population, seems to believe that the large proportion of new jobs can be created by promoting consumer goods industries in the villages.

While there is, of course, some scope for village industries, I have serious doubts as to the effectiveness of such a programme which goes against the trends that have taken place in the course of their development in every country in the world. I see no reason to expect that our people will, in the long run, think and act differently, unless forced by authoritarian means, which I presume is not the intention.

My main doubts, however, about the practicability of creating thousands upon thousands of small industrial enterprises spread over our five lakh villages, lie in the lack of the necessary skills today and the time it would take to develop them.

The vast majority of unemployed in the rural areas are men and women who possess only the simplest of agricultural skills. **If we want to find employment for millions of them quickly, it seems obvious that we should give them employment initially in the kind of work which they could undertake immediately without much training, namely in productive tasks involving digging, building, carrying and the like.**

What better scope can be found for such work than in a sustained and widespread programme of public works in soil conservation and rehabilitation in medium and small irrigation schemes, in the building of regional and inter-village roads, in the reforestation of our denuded and eroded land, in the construction of schools, clinics and welfare centres which are so pitifully lacking in the small villages today?

The two main advantages of such a programme, apart from its primary potential, would be, first, its flexibility, which would accommodate itself to a reasonably fluctuating labour force and permit without any serious harm, interruption during harvesting or planting time; and second, it would bring quick and growing benefits to the people of the very areas where the work is undertaken.

It is noteworthy that the two states in India, in which poverty and unemployment have already been virtually eliminated, are Punjab and Haryana, which, apart from the hard-working quality of their people, have the best soil management, irrigation and road systems.

Q: The termination by the Janata government of your chairmanship of Air-India was received with profound regret and shock by all responsible sections of public opinion. Bearing in mind your pioneering services and invaluable contribution to India's civil aviation right from its infancy, even now many people continue to express their resentment at the Janata government's precipitate and ungracious action and feel that the least the government should have done was to have made you the life president (or chairman for life) of both Air India and Indian Airlines, and requested you to accept the position as a gesture of the nation's gratitude. It will be appreciated that this is not merely a personal matter but an important issue of public interest. Could you, therefore, disclose the events that led to the government's deplorable action?

A: It is true that my removal from Air-India was somewhat abrupt in that no intimation of it was given to me by the government until about a week after the event, and I first learned of it from my successor. I was not unduly surprised, as the government of India have never been known for showing consideration for the feelings of the those who served them, whether in a paid or honorary capacity, or appreciation of their services. Except for the minor human aspect, there was nothing wrong in the government appointing a younger man as the chairman of the two airlines.

Frayed US-Japan trade relations

Sudhir Sen

New York

Japan has been accumulating huge surpluses in its trade with the USA. This put pressure on the dollar and was largely responsible for its sharp depreciation last year. In spite of US exhortations, Japan has not found it possible to turn aorund its export-oriented giant economy towards larger imports. Japan can however alleviate the problem of trade imbalance by adopting a more liberal policy on capital exports.

FOR A NEW prime minister of Japan it has been the practice for quite some time to visit Washington at the earliest opportunity and establish personal relationship with the head of the nation on which it so largely depends for its national defence and export markets. This, no doubt, was enough reason for prime minister Mosayoshi Ohira's three-day visit early this month.

But Mr Ohira had another and more pressing reason to undertake the trip at this time. The huge trade surplus Japan has been piling up in recent years in its trade with the USA has been a matter of deep concern and growing resentment at this end. In spite of exhortations, negotiations, pressures, and the promises extracted from Japan, the surpluses have continued at an intolerably high level. Protectionist sentiment is running high in the new Congress, and there is a real risk that it might soon unilaterally impose restrictions—tariffs, quotas or surcharge—on imports from Japan. Mr Ohira was fully aware of it and wanted to forestall such a move before it was too late. He also knew that the trade controversy, unless defused within the next few weeks, might jeopardise the economic summit meeting scheduled to be held in Tokyo on June 28, which would be a severe blow to his newly-formed government.

Because of these reasons the Ohira-Carter conclave became a kind of "pre-summit summit" with a special significance. The visit has helped smooth some ruffled feathers, but the main problems remain unresolved. And the best one could expect is that it would buy some time, probably for both sides.

The figures in the following table will show at a glance how the USA's merchandise trade with Japan has evolved in recent years.

The deficit grew dramatically in the last three years; and though the first quarter of 1979 has shown some improvement, all the indications are that it will continue at a high level, around $8 billion or more for the entire year. A trade deficit of such magnitude with Japan would in itself have been a cause for concern. As it happened, it coincided with a big leap in the USA's oil import bill—from around $5 billion in 1973 to $45 billion in 1978. The total is still going up, and it might very well hit $55 billion this year.

(In billions of dollars)

Year	Exports to Japan	Imports from Japan	Balance
1973	8.36	9.67	—1.31
1974	10.72	12.41	—1.69
1975	9.57	11.28	—1.61
1976	10.20	15.53	—5.33
1977	10.57	18.57	—8.00
1978	12.16	24.40	—12.24

Traditionally, the US showed a sizable surplus in its merchandise trade account. But the combined effect of the mounting deficit with Japan and the huge oil import bill has been a trade gap of $31 billion in 1977 and $36 billion in 1978. This put pressure on the dollar and was largely responsible for its sharp depreciation last year. The situation has improved in the last few months, but not significantly.

So far the Carter administration has tried to pursue a middle-of-the-road policy in dealing with Japan, avoiding new "shocks" similar to what the Japanese still dolefully refer to as the "Nixon Shokkus" of 1971 when president Nixon opened the road to Peking and devalued the dollar without giving any prior hint to the Pacific ally, and followed it up with a third "shokku" by putting a temporary ban on soybean exports to cope with the soaring prices of foodgrains at home. Prompted no doubt by a desire to avert any political damage to the relations with the country that serves as the bastion of stability in east Asia, Mr Carter has been at pains to resolve the economic problems without confrontation and, as far as possible, with moderation, negotiation, and persuasion.

Hitherto the administration has tried several methods, but with very mixed results. Two years ago when the trade deficit began to bulge ominously, Treasury secretary, Mr Bluementhal, more or less publicly favoured a fairly sharp depreciation of the dollar, assuming rather naively that this would make exports cheaper and imports dearer, and would thereby help narrow the US trade gap. His calculations proved totally misplaced as had been predicted by knowledgeable people. Far from helping the balance of trade, it actually widened the deficit because the volume of Japan's exports to the USA did not shrink and fetched more dollars into the bargain.

Nor was the attempt to persuade Japan to step up its growth rate attended with much success. At the two economic summits, held in London and Bonn in summer 1977 and 1978 respectively, president Carter sought to persuade West Germany and Japan to stimulate their economies to achieve higher rates of growth. This, it was assumed, would reduce the "growth gap" between them and the USA, work down their trade surpluses, and thereby reduce the USA's trade gap.

growth target

The growth target envisaged for Japan was around seven per cent in real terms, to which the then prime minister, Takeo Fukuda, made a carefully hedged commitment. The actual growth lagged well behind the target; Mr Fukuda explained the reasons why the target was unattainable. Later, when the Iranian crisis intervened and OPEC began to boost oil prices, Japan had other problems to contend with; to find enough oil to feed its economy, to put a lid on inflation which was fueled, at least in part, by the rising oil price, to cope with an inflated oil import bill. This, in Japan's eyes, was not a time to spur, but to curb growth. And since it must import all its oil, it was also a time not to curb, but to spur exports of manufactured goods so as to foot the swollen oil bill.

Another approach the administration has tried to stave off protectionist pressures and to stem the influx of key Japanese goods such as steel and television sets was to negotiate painstakingly some compromise deals to hold down the imports somewhat below their recent peak levels. This was clearly a departure from free trade, and the restrictions it involved could hardly be reconciled with GATT principles. They might, however, be justified in terms of expediency since, but for these compromises, things might have been much worse.

Japan has met the barrage of charges, as one might expect, with strenuous politeness and what one might call a flexibly inflexible response. The Japanese establishment which is an integral part of what is sometimes called "Japan Inc." argues that Japan has done all that is possible to facilitate imports. It has sent buying missions to the United States, removed almost all import quotas (the remaining 27 are mostly on farm products), and has reduced tariffs, in an across-the-board fashion, even below western levels in the recently concluded "Tokyo Round" of tariff cuts.

But the proof of the pudding lies in the eating. If Japan has liberalised trade to such a remarkable extent, why are prices of consumer goods, including food and other necessaries of life, so much higher in Japan (sometimes by as much as 100 to 500 per cent) than in the USA ? Why should, for example, the head of a supermarket chain privately complain that Japanese customs won't let him import at least 200 items ?

inadequate response

To take one more example, the trade liberalisation pact due to be submitted to Congress shortly provides for a liberalised procurement code under which government is expected to throw more of its procurement contracts open to foreign bidding. Accordingly, the US negotiated with Japan to persuade it to adopt a policy of free and open bidding for procurement of communications equipment for the giant Nippon Telegraph and Telephone (NTT) Co. Initially, Japan agreed to open up $5 billion worth of government orders to foreign bidding. The USA found this inadequate and wanted the amount to be raised to $7.5 biilion, but Japan came up with a revised figure of $7.1 billion. On looking at the package the USA turned down the offer.

There was not enough to recommend it to the president and Congress, said Mr Robert Strauss, president Carter's ambassador for trade negotiations. "They approached us on quantity, but they were short on quality", explained Mr Strauss. There were too many low quality items, such as mops, cleaning rags and telephone poles, on which American companies would have difficulty making competitive bids, while switchboards and other main-line communications equipment bought by NTT did not figure in the offer, even though the USA had specifically asked for them. As a result, the USA decided that, while relaxing its own government procurement rules in favour of domestic companies in return for similar concessions by other countries, it would exclude Japan from the liberalisation.

sombre backdrop

All this happened just when Mr Ohira was getting ready to leave for Washington, and created a rather sombre backdrop for his visit. The Carter-Ohira meeting began with a discordant note which peeped through their initial public pronouncements. However, on the second day, after a three-hour private talk, the two leaders muted their differences. And declaring that their countries' ties were the "cornerstone of peace and stability in Asia", they instructed their negotiators to settle outstanding trade issues as soon as possible to prevent a politically damaging spillover.

The two nations signed an agreement on cooperation in energy research and development covering joint projects (fusion, coal conversion, solar and geothermal energy), estimated to cost $1 billion over the next ten years. They also agreed to expand joint research on nuclear-reactor safety and reliability. Mr Ohira stressed, however, that for Japan, which has practically no fossil fuel, nuclear energy remained the most reliable alternative.

The following day Mr Ohira went to Capitol Hill where his pleadings had a sobering effect on a good many Congressmen. He promised that he would ask the Japanese Diet to approve a speed-up in tariff cuts to help boost his country's imports. He expressed concern over the sharp depreciation of the yen triggered by the rising oil price and urged cooperative action to stabilise the foreign exchange situation; and overly cheap yen would hinder healthy economic growth in Japan and make imports dearer and the task of reducing the trade surplus so much harder; he indicated that the yen ought to be stabilised around 200 to the dollar. (Since then it has been moving fast towards that level).

Mr Ohira also warned against increased protectionism which might set off a worldwide chain reaction as other nations retaliated in kind. But not all Congressmen were persuaded by his pleadings. Senator Lloyd Bentsen (D. Texas), chairman of the Congressional Joint Economic Committee, kept the protectionist banner flying since he saw no "good reason for the US to commit economic hara-kiri on the altar of a bogus free-trade relationship". He accused the Japanese of an "insular, siege mentality" toward international trade that "is grossly out of place for a major world power".

benign neglect

The senator's charges, though widely held here and abroad, fail to give onough weight to three major factors. First, the USA's balance-of-trade woes is largely due to its own faulty policies; overstimulation of the economy, "benign neglect" of the dollar; over-consumption and under-investment for capital formation, inability to quench inflationary fires, neglect of export markets, and absence of an effective energy policy including delays in mass-producing energy-efficient automobiles.

Second, Japan's economy has advanced at a dizzying pace in the post-war generation. As an industrial nation it now ranks third, behind the USA and Soviet Russia, with a GNP of 210,600 billion yen or about $1,000 billion at current exchange rates. This great industrial edifice has been built on an astonishingly slender resource-base with the help of two driving forces; its never-to-be-compromised work ethic, and its export-or-perish slogan. Things have changed, but the momentum imparted by these dual imperatives is still continuing. Besides, scared by the grave oil crisis of 1973-74 and the milder one of recent months, Japan has no doubt deemed it prudent not to relax its efforts on the export front, and to maintain a substantial surplus on the current account.

And finally, just as the USA finds it hard to reorient its inward-looking economy towards larger exports, Japan, too, cannot turn around its export-oriented giant economy overnight towards larger imports. Yet it is clearly moving in that direction. Last year its imports totalled $79 billion, almost three-quarters of it in food and raw materials. Its exports amounted to $97.5 billion, mostly in manufactured goods, giving it a huge surplus of $18.5 billion.

Eventually, Japan's trade structure, it has been suggested, will resemble that of West Germany, whose imports of manufactured goods account for more than one-half of the total imports. In Japan's case the proportion was 28.6 per cent last year, up from 24 per cent the year before Imports of manufactured goods are slowly picking up and should accelerate in the coming years.

Meanwhile, Japan can greatly alleviate the problem of trade imbalance by adopting a more liberal policy of capital exports. Here, too, the slow progress now being made is likely to be accelerated, especially if its role in China's modernisation programme gets into high gear. Meanwhile, developing countries can derive modest satisfaction from Japan's promise to double its aid programme.

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MOVING FINGER

For solving the problems of its factionalism, the Janata party had a promising option last week. This was to let Mr Raj Narain and Mr Hukum Chand Kachwai settle all the divisive issues once for all by a hand-to-hand combat. It is true that Mr Raj Narain has not only trained himself in wrestling, but is also keeping himself in practice as occasion offers. At the relevant time, however, he was probably somewhat less than fighting fit; an infected cyst in the region of the buttocks might have been a minor surgical problem, but one would surely have been better without it if one were to undertake any violent physical exertion. It follows that had Mr Raj Narain and Mr Kachwai not been interfered with when they attempted to fight it out in Lok Sabha on May 15, the odds would have been, so to say, more or less even, but the better man might still have won.

The Janata consortium, however, has got into the practice of preferring the devious to the direct. Hence it decided against allowing Mr Raj Narain and Mr Kachwai to come to the aid of the party. Instead it opted for the alternative. Its parliamentary board has saddled Mr Desai with the assignment of sorting out problems of organizational elections and the RSS-connection. Since, as of now, he still has the status of a "consensus" prime minister, he has been specifically directed to carry out this assignment in consultation with his senior colleagues. With Mr Charan Singh falling ill off and on and continually taking casual leave, the consultations may be expected to drag on conveniently.

Meanwhile, the results of the Janata parliamentary party elections held on May 17 have been interpreted as showing that Mr Morarji Desai has a numerical backing of 200-plus, while Mr Charan Singh's following is about half that number. This provides retrospective justification for the ancient argument that the Janata party would have done itself a good turn had it chosen its leader at the very start through a clean and contested election. Had Mr Morarji Desai been heading the government through normal democratic processes, the prime minister's office would long ago have been fully the powerful and prestigeous seat of power it must always be. There would also have been a strong possibility of Mr Desai and Mr Charan Singh establishing realistic working relations between themselves. As it is, Mr Charan Singh's discomfiture, now, is unlikely to convert him into a model of sweet reasonableness on organizational issues. The groupings revealed by the parliamentary party elections may have strengthened Mr Desai, but it has not strengthened the party. The question mark stays put against its cohesiveness.

On the propriety of some of the observations made by Mr K.F. Rustamji, in the course of his interview to *Indian Express*, which that paper published on May 17, there could be more than one opinion. This member of the National Police Commission, who was formerly Director-General of the Border Security Force, described the policemen's agitation in Punjab as a "necessary corrective" to the apathy or indifference with which the genuine grievances or legitimate demands of the lower constabulary had been treated by politicians and administrators for years. He did have a choice of words. A "predictable reaction", or, even, an "inevitable consequence" would have been a more appropriate phrase. After all, he himself said that the way the Punjab government bought peace—through a hurried showering of lavish concessions—might "well exacerbate difficulties". This clearly concedes that the direct action resorted to by the policemen has not functioned simply as a "corrective", but has created complications by virtue of the undue pressure it exercised on the state government.

I do not however find it in my heart to be too critical of Mr Rustamji. Indeed, I bless him from the bottom of my heart, as the saying goes, for the following words which are worth their weight in gold even at the present price of the yellow metal:

"Today you have a cabinet minister declaring that he might well resign if bonus is withheld from railwaymen. Have you ever heard a minister saying that he will resign if such and such is not done for policemen? And what inference do you think that policemen will draw from this? That they too should have their minister. And what is the first step to getting your own minister, to getting a minister or a set of MPs who will speak for you? In the minds of policemen today the first step is that they ought to get organised".

Or, as Prof Raj Krishna might say "Unionised and politicised", a formula which Mr Rustamji, fortunately, is not ideologically sophisticiated enough to favour; he is in fact dead against the political infiltration of the constabulary.

In the *nimbu-pani* circuit the name of the game now is naming a successor to Mr Nani Palkhivala. But much of the speculation is not convincing. Mr Piloo Mody, for instance, may be disqualified by the nationality of his wife, if not by his avowed interest, financial or ideological (or both), in the CIA. Mr Ashoka Mehta would be ideal, but the poor man may have domestic problems—for instance, whom will he choose for hostess duty at the Indian embassy in Washington? Could it then be that Mr Dinesh Singh will make it? I hope not—for, in that case, the Kanti-connection will be too obvious. Mr Nanaji Deshmukh (or, Mr Nana Deshmukh, as he prefers to call himself) may be a good choice, perhaps. But the idea is not likely to commend itself to Mr Vajpayee; the minister for External Affairs may not care to have a RSS comrade breathing down his neck whenever he is doing the USA.

VB

Cover feature

Better than simply a glass of water

The Population Information Programme of the Johns Hopkins University, USA, in its issue of *Population Reports* (No. 5, January 1979) has published an informative and authentic survey of the present state of the usage, safety and side effects of oral contraceptives. This material has been prepared by Ward Rinehart and Phyllis T. Piotrow, Ph.D., of the Population Information Programme on the basis of published and unpublished materials, correspondence and interviews.

This analysis leads to the reassuring conclusion that, on the basis of the latest available data, the use of oral contraceptives by women in developing countries carries relatively low risks of side effects in the context of a much greater risk of pregnancy and child birth. *Eastern Economist* is therefore publishing here extensive extracts from this report as a contribution to the family planning work in our country and service to our people. An important point underlined by this study is that, in developing countries, the propagation of oral contraceptives will have to depend much more on aided public distribution systems than on commercial sales through profit-making market channels.

In a companion piece, Mr V.V. Eswaran, special correspondent of *The Hindustan Times*, gives a profile of the Pill in the family planning picture in India. While enumerating the difficulties in the way of wider acceptability of the Pill, Mr Eswaran provides the statistics which strengthen our hopes for the gradual success of the programme.

When the puzzled woman in the story asked the doctor whether the glass of water was to be taken before or after, the bland advice was "Instead". The merit of the pill is that it can be taken ***with*** *a glass of water and without any need for self-denial.*

After nearly two decades of use, oral contraceptives (OCs) are the most popular reversible method of contraception in the world today. According to marketing statistics gathered from at least 31 countries, about 325 million cycles of oral contraceptives were sold in 1977. This quantity would supply 25 million women for one year, of whom about 21 million are in developed countries and 4 million in developing countries. Although sales are levelling off or declining somewhat in western Europe and the United States, where use rates now range up to 40 per cent of women aged 15-44, sales are increasing rapidly in Asia and Latin America.

At the same time, national family planning programmes in developing countries provide oral contraceptives on a free or subsidized basis to about 9 million women (excluding the People's Republic of China). The United States Agency for International Development (USAID) delivered close to 100 million cycles annually to these countries over the last five years. Other governments and United Nations agencies also provide supplies for national programmes. *It is estimated that, including 10-15 million users in the People's Republic of China, about 54 million women throughout the world were using oral contraceptives in 1977, an increase of 4 million over the estimate published in* **Population Reports** *in 1974.*

With respect to the safety of oral contraceptives, data from three major cohort studies in Britain and the United States throw new ligh on the relationships between OC use and circulatory system disease. A study of 46,000 British women by the Royal College of General Practitioners found that :

- OC users experienced higher death rates from circulatory system disease—25.8 per 100,000 woman-years of observation—than did women who had never used orals—5.5 per 100,000 woman-years. These rates are averages including women with conditions conducive to circulatory system disease as well as women with no such conditions.
- OC users faced a greater range of circulatory system diseases than was originally suspected, including arterial as well as venous disorders. In addition to myocardial infraction, pulmonary embolism, and cerebral hemorrhage, women in this study experienced subarachnoid hemorrhagc, malignant hypertension cardiomyopathy and mesenteric artery thrombosis.
- Women who used OCs for five years or more faced a tenfold greater risk of death from circulatory disease than women who never used the pill. Even afte discontinuing, women who had used the pill faced slightly highe risks, especially of subarachnoi hemorrhage.
- Most important for individual and for family planning programmes, these risks do not apply t all women equally. Women ove 35 and women who smoke fac by far the greatest hazards. Deat rates for OC users aged 35-4 were 42.6 per 100,000 woma

years and for OC users who smoke, 39.5 per 100,000 woman-years, compared with less than 9 for OC users under 35 and about 14 for OC users who do not smoke.

These findings from the Royal College study are generally confirmed by other published British data from the Oxford/Family Planning Association study and by data now becoming available from the United States study in Walnut Creek, California. All three studies highlight the previously suspected but not proved effect of smoking, which may not merely add to but in some diseases multiply the risk associated with OC use. It is also becoming clear that other factors predisposing to the development of circulatory disease —hypertension, high cholesterol levels, diabetes and obesity—play important roles in mortality among OC users.

A key question not answered by any of the studies is the extent of risk for women under 35 who do not smoke and who have no other conditions predisposing them to develop circulatory system disease. Despite the fact that in the largest study, 46,000 women had a cumulative experience of some 200,000 woman-years, there were so few deaths among the younger, non-smoking women (one, at age 32) that it is not possible to determine at acceptable levels of statistical significance what residual risk of oral contraceptive use remains for these women.

Not a bitter pill

The oral pill, used by millions in western countries, is gaining popularity among Indian women. The reason behind this popularity is that swallowing a pill does not resurrect memories of forcible vasectomy and tubectomy which people had to undergo during the emergency.

However, as of now, the popularity is confined largely to the urban population and that too among women in the upper and middle income groups.

After trying the pill at the pilot project stage, the government has extended it to all urban family planning centres, including those run by local bodies, voluntary organisations and a large number of primary health centres. There is no commercial sale of the pill. It is officially stated that as on March 31, 1979, there are 3,680 rural and 2,356 urban centres through which the pill is being distributed.

According to the findings of a study conducted by the Royal Collage of General Practitioners in association with the British Family Planning Association, the pill has major hazards for older women, particularly those who smoke. The study reports that there is very little pill-associated risk among women under 30. But the death-rate was specially high among older women who smoked.

A technical advisory committee set up by the government has not been able to come to a firm conclusion whether the application of the oral pill has any side effect on Indian women. The committee has, however, warned family planners that women with a history of toxemia in pregnancy should not use the pill. The committee has said that nulliparous women should be medically examined before being prescribed the pill. But the question is whether this will be possible in far-flung rural areas which are sometimes without a doctor for months on end.

Family planners are aware that one case gone wrong can scare an entire village population away from family planning clinics. In the initial stages, experts were careful in spreading the message to the rural areas. Consequently, the concentration of efforts of the government has been in urban centres where there is some promise of a demonstration and multiplier effect.

Then there are the usual causes for the poor response of the rural people to the pill. The three reasons given for the limited success have to do with the familiar syndrome of illiteracy, poverty and a lack of motivation for restraint, due primarily to the belief that children are an economic asset.

Latest reports with the central Health ministry indicate that a general demand for oral contraceptives has been created despite the survival of some pockets of prejudice here and there. The all-India figures which show a gradual success in the extension of the oral programme to the rural areas are given alongside.

There are also the tribal ways of birth control. It was recently reported that tribals in Hooghly, mostly Santhals, practise an indigenous method of birth control which they treat as a closely-guarded secret. They use a herbal preparation for both short-term and long-term contraception, but only some tribal "kavirajs" know the composition of the medicine, according to a survey of tribal villages conducted by the Scheduled Castes and Scheduled Tribes Welfare department.

The regional research laboratory, Jammu, carried out trials on a widely used plant by tribals. The plant, which in scientific jargon is called Puereria tubeerosa, is said to be widely used by tribals like Gujjars in hills of Poonch and other parts of Jammu and Kashmir for birth control.

There are grave doubts whether such herbal preparations will catch up with the people on a large scale. Since even the pill is not proving a nation-wide success, Indian experts are still looking for an easy-to-use, safe and inexpensive contraceptive, the arrival of which can bring about a veritable revolution in family planning techniques. An antinatal vaccine for women is reported to have been tested and is ready for use. This invention can have far-reaching consequences due to its practical value in terms of cutting across time and its obvious advantages in terms of convenience.

Year	No. of cycles	No. of effective users
1975-76	420,106	32,315
1976-77	757,978	58,306
1977-78	988,179	76,014
1978-79	1,109,654	91,681

V.V. Eswaran

Fertility contro

On the Near Horizon

A number of new drugs and devices, some of them under study for a decade or more, may be available for widespread use in the next three to five years, barring the discovery of as yet unforeseen side effects or possible delays in government approval. Their safety and efficacy as fertility control methods have been initially demonstrated in a series of animal tests and all have entered (or soon will enter) human clinical trials. None could be termed the perfect new contraceptive, but as additions or improvements to the array of methods currently available, each will broaden the range of choices for couples wishing to limit their families.

ETHANOL ABORTIONS

Intra-uterine injection of ethanol via the cervix has been found to be an effective abortifacient in animal studies. Ethanol may prove to have advantages over present abortion techniques in some settings because it avoids cervical dilation and is less expensive. Although similar efforts in the past have been unsuccessful, new protocols have shown promise in the very early stages of human trials. It will be several years before a complete evaluation can be made.

FOAMING SPERMICIDAL TABLETS

New types of foaming spermicidal tablets which may prove more effective than present brands are being tested in several countries. The tablets are easy to use and have no known side effects other than slight irritation of the vaginal tissues in some women. However, no definitive data on effectiveness or duration of action are yet available. If the tablets prove effective, they could be made available within two years.

IMPLANTS

Long-acting drug release implants, following over a decade of developmental research, are now being tested in several countries. A series of six tubes which are implanted under the skin of the forearm or buttocks or micro-capsules which can be injected are being tried.

All types release steroids into the bloodstream over an extended period. Researchers are also studying the possibility of using biodegradable fibres or micro-capsules for implants so that they would ultimately dissolve and not need to be removed. The major advantages of implants are their ease of use and long-term effectiveness, while the main disadvantages appear to be irregularities in menstrual bleeding experienced by some users and the surgical procedures still necessary to insert and remove most types. It is likely that many women will find the prospect of surgery for inserting and removing implants distasteful, and the implants may not be suitable for women without easy access to medical care. The implants now being tested on women are expected to provide contraceptive protection for three to five years. Within three years, researchers should have sufficient information to evaluate whether implants are, in fact, appropriate for widespread use.

IUD'S FOR POST-PARTUM INSERTION

Intra-uterine devices with biodegradable protrusions which dissolve over time in the body are being tested for insertion immediately after childbirth or midtrimester abortion. Post-partum IUD insertion is desirable because the prospective users are already in contact with a health provider and are often highly motivated to space or limit future births. Standard IUD's have had high expulsion rates when inserted post-partum, but initial results with IUD extensions suggest good retention rates. One such new IUD simply adds biodegradable suturing material to standard IUD's, a step which can be performed in a developing country clinic. If research results are favourable, biodegradable IUD extensions could be in widespread use in two to three years.

PROSTAGLANDIN SUPPOSITORIES

Prostaglandin vaginal suppositories which could be inserted by women for menstrual regulation or early abortion are undergoing human tests in several countries. Prostaglandin compounds—already approved for use in second-trimester abortion—have been in human trials sinc 1970. Recently, investigators have made progress in reducing som of the problems commonly associated with prostaglandin use such a incomplete abortions, vomiting, and diarrhoea. Prostaglandin suppositories for early abortion could be available within five years as an adjunc to current clinical techniques. A self-administered menstrual regulator for general use without medical supervision may take longer to perfect.

SOLUBLE SPERMICIDAL CONDOMS

A thin condom composed of polylactate/glycolate containing a spermicidal drug, designed to dissolve during coitus, has been developed and will soon enter human trials. This may represent the only innovation in reversible male contraceptive methods likely to materialize in the next five years. Yet, many experts question whether it will be as effective as present condoms or spermicides. Spermicidal condoms could be made commercially available within several years.

VAGINAL RINGS

A silastic vaginal ring which gradually releases a progestin and natural estrogen has been under development for about five years. The ring is designed to be inserted by the woman herself and removed after three weeks to allow a menstrual period or left in place until menses begins spontaneously. The ring appears to be as effective as the oral contraceptive but would avoid the need for daily pill-taking and may have fewer side effects because the drug is absorbed through the vaginal wall, permitting most of it to bypass the digestive system and liver and allowing for a potentially lower overall dose. Small-scale human testing is now underway, and preliminary results would suggest commercial availability in about five years.

VAGINAL SPONGES

Three types of new vaginal sponges are currently being investigated : one made of polyurethene foam is impregnated with a spermicide; another made of collagen may be used without spermicide; and a third is composed completely of slowly dissolving spermicide (nonoxynol cellular foam). Unlike other female barrier methods, vaginal sponges require no fitting prior to initial use, can be easily inserted or removed at any time by the woman herself, and can be kept in place for several days. Although data on contraceptive effectiveness are not yet available, vaginal sponges may prove to be no more effective than other spermicidal methods, such as creams, foams, and foaming tablets, making their principal advantage one of convenience to the user. Sponges are in small-scale trials now; as many as three varieties may be on the market in the next two to three years.

On the Far Horizon

Another group of drugs and devices have shown initial promise as effective fertility control methods but are not expected to be available in the near future. Most of them are either in the early developmental stages or in animal tests; a few have entered small-scale human trials. While some of these experimental methods might well fill gaps in present contraceptive technology (such as natural family planning methods or multi-year immunizations), additional research may equally well reveal major deficiencies in safety, acceptability, effectiveness, cost, or other factors.

CHEMICAL STERILIZATION

Pellets containing the drug quinicrine have been found to cause permanent scarring and closure of the utero-tubal junction when introduced through the cervix using a standard IUD inserter. Quinicrine has been under study for more than a decade, and the use of a pellet in female sterilization for about two years. Research on the method is expanding to several centres, and the prospects for widespread avail-

for the future

ability within six years are fair to good. Other drugs, such as methyl cyanoacrylate (tissue glue) and compounds of seaweed and silver nitrate, are also being investigated. The major drawback of these chemical sterilization methods is that they cannot be reversed by present methods because the insides of the Fallopian tubes are damaged. Also, they may involve increased risk of ectopic (tubal) pregnancy, and some methods require multiple application which may render them impractical for use in developing countries.

With respect to male chemical sterilization, a mixture of ethanol and formalin injected into the vas deferens to cause occlusion has been tested in small numbers of men in the United States. Experts estimate that studies of efficacy will take five years or longer.

MALE CONTRACEPTIVE DRUGS

The long-awaited injection or pill which would make men temporarily infertile still appears to be many years away. Chemical substances which impair sperm formation, maturation or transport have been identified and tested in animals. At appropriate dose levels, estrogens, progestins, androgens, antiandrogens and LHRH (lutenizing-hormone releasing-hormones) agonists and antagonists all have some effect on sperm production, but none have been shown to consistently cause infertility without side effects. Undesirable side effects relating to steroidal preparations include impairment of liver function, possible increased risk of cardio-vascular diseases and libidinal changes. All of these male methods appear to be at least five and more likely ten years away from general use. Researchers are also investigating the possible use of industrial chemicals such as the pesticide DMCP as contraceptives; so far, all have proved too toxic. Other methods of producing temporary male infertility such as ultra-sound and heat baths have not been sufficiently tested to evaluate their effectiveness or potential for widespread use.

NASAL SPRAYS

Two types of nasal sprays have appeared promising in animal trials, and one is in the early stages of human trials. An analog of LHRH, which prevents female ovulation and male sperm production by overstimulating the pituitary gland to interfere with leuteinizing-hormone production, is being tested on women in Sweden. Pituitary hormone replacement studies have been conducted in Sweden for about six years. The nasal spray for women would be administered for five to ten days early in the menstrual cycle. A nasal spray was selected as the route of administration because of the proximity of the pituitary gland to the nasal passages. Another type of nasal spray composed of progesterone and norethisterone (the same steriods used in oral contraceptives) has been tested on monkeys in India and has been recommended for human trials. Because the nasal spray avoids initial passage of the drugs through the liver, some of the side effects of oral contraceptives may be eliminated. Both types of nasal sprays are at least five years away.

NEW OVULATION INHIBITORS

Drugs affecting the pituitary hormones have been shown to inhibit ovulation in rat studies as successfully as present estrogen-progesterone compounds. The drugs being studied include LHRH agonists and antagonists. The concept of LHRH has been studied for over 25 years, but its chemical structure was determined only in the early 1970's. Present research on LHRH agonists and antagonists may produce a contraceptive pill that can be taken just a few days a month. The new pill would offer some advantages over present oral contraceptives but it is possible that undesirable side effects such as irregular menstrual cycles may occur. Experts estimate that seven to ten more years of clinical trials are needed.

ONCE-A-MONTH PILLS

A compound that blocks the synthesis of progesterone, a hormone necessary for the maintenance of early pregnancy, has been successfully synthesized. Following about seven years of development and two years of animal testing, the compound is reportedly progressing to human trials. This research may eventually lead to a self-administerable menstrual regulation technique in the form of a pill or pills to be taken monthly or whenever a menstrual period is overdue. If initial human trials are favourable, research could be accelerated to make the product available by 1982. However, at the present funding level, it is likely to be at least seven to ten years before such a pill is perfected for wide-scale use.

OVULATION DETECTORS

Techniques and devices that detect the time of ovulation are being studied by many researchers, and ovulation detection instruments are already commercially available to physicians. One major hurdle yet to be overcome is prediction of ovulation three to five days in advance so that intercourse can be avoided only on those days rather than in much of the first half of the cycle. But even if devices which monitor an individual's hormone levels or other factors sufficiently closely to predict ovulation can be developed, they may prove impractical for widespread use because the equipment is expensive and may need to be adjusted for each user.

REVERSIBLE FEMALE STERILIZATION

A plug applied at the utero-tubal junction to temporarily block the Fallopian tubes is now being tried in small numbers of women. Made of silicone and elgiloy (a tissue-compatible alloy), the plug is inserted through the cervix using a specially-designed hysteroscope and can be removed in the same manner to reverse sterilization. The plug has been studied for about three years in animals; wider human trials are expected to begin about 1980, perhaps making the technique available for general use a few years later. Because of the specialized training needed to apply the plug and questions about its contraceptive efficacy, it may not prove practical for widespread use. Also, it may not offer much advantage over present reversal techniques using micro-surgery; reversal success rates have been as high as 80 per cent in a handful of specialized centres in developed countries. Further down the road, researchers are testing a removable fimbrial hood which would enclose the fimbria (ends of the Fallopian tubes) which transport the eggs from the ovaries. Some versions of the hood have been tested in animals and a few women, but it is several years away from wide-scale human trials.

VACCINATIONS AGAINST PREGNANCY

Several immunological approaches for men and women are being investigated; most are in animal trials or very early human testing. Such vaccines would theoretically provide long-term contraceptive protection by preventing sperm transport, fertilization, blastocyst development and/or implantation. The most advanced research involves immunization with synthetic peptide fragments of human chorionic gonadotrophin (hCG), a hormone produced in early pregnancy. Immunization with hCG would block continuation of the pregnancy. In theory (but seemingly not in practice), each successive pregnancy could act as a booster dose to keep antibody levels high. In early human trials of hCG immunization, a series of vaccinations was needed, as the immunological effect was inconsistent and wore off relatively quickly. Efforts continue to synthesize a vaccine that would last ten years or longer, but experts estimate that it will be many years before a safe and efficacious long-lasting vaccine is available for general use.

Another use of such immunological drugs may be as an abortion agent. This use would involve administration of specific hCG antibodies providing passive immunization to make the body temporarily unable to support a pregnancy. At present, active antibodies for such a vaccine have to be synthesized in animals, which is costly and hazardous because of possible allergic reactions. However, in the next decade, alternative methods of synthesis are likely to be developed.

Courtesy: Draper Fund Report, No. 6—"Improving Contraceptive Technology".

Although an increased risk probably exists, it is very small.

To complicate the issue further, analysis of circulatory system disease death rates in countries where OC use is high does not show the changes that would be expected if the use of OCs in fact produced a five-fold increase in deaths among all users. For example, in the United States, England and Wales and Denmark, the trend of all circulatory disease death rates has been downward, with the exception of diseases of the veins, for women of all ages, even in the face of increases in OC use.

Further, in a 21-country analysis, WHO researchers found that improving death rate trends for women aged 35-44 were associated with trends of increasing OC usage. While national mortality data by their very nature cannot provide conclusive evidence of slight risks in oral contraceptive use, analyses of these trends do reinforce the other indications that any increased risk from OC use is relatively small and is largely, if not entirely, limited to specific subgroups of women—those over 35, those who smoke, and those with other conditions predisposing them to circulatory system disease.

With regard to cancer, no definitive new data are available, but this in itself is reassuring. The fact that cancers have long latent periods has been used to argue against reaching any conclusion prematurely. With oral contraceptive use now in its second decade, that argument is losing some of its force.

Investigations of other possible side effects have revealed no substantial new risks associated with OC use, and, in fact, some fears—particularly over adverse effects on subsequent fertility and on offspring conceived after pill use—have been eased by recent reports. Unsuspected benefits—a possible protective effect against ovarian cancer and an apparent reduction in rheumatoid arthritis—have been noted.

Virtually all the data on serious side effects of oral contraceptives come from developed countries, where circulatory disease and the factors predisposing women to it are common, perhaps affecting as much as one-third of the female population of reproductive age. In these countries, the continuing usage and popularity of oral contraceptives underline the need to identify and inform those women who face special risks so that they can make knowledgeable choices of their method of family planning and, in the interests of their long-term health, stop smoking and possibly modify their diet and lifestyles. For older couples or those whose families are complete, voluntary sterilization provides an acceptably safe and increasingly popular alternative.

What are the implications of these findings for developing countries? First, it should be emphasized that US and British findings cannot automatically be applied to women in developing country settings. In the developing world, circulatory system disease is rare, cholesterol levels are low, and few women smoke, so it may well be that OC use poses no serious threat of circulatory disease in most developing countries. Second, there is increasing need, as OC use in these areas expands, to determine what the various hazards may be in developing countries and which women face the greatest risk. Should an increased risk be demonstrated, it might then be relatively easy, by self-screening or programme check lists at the village level, to encourage sterilization or use of other methods by high-risk women.

Overall, the risks of using any contraceptive method are far outweighed in the developing countries by the much greater risks of pregnancy and childbirth. In Bangladesh, for instance, where use of contraceptives is negligible, almost 200 women per 100,000 in

Recent cohort studies

Much of the knowledge of oral contraceptive effects gained in the last few years comes from ongoing cohort studies. Cohort studies—sometimes also called prospective studies—of oral contraceptives involve large numbers of women, some using OCs, some not, who are observed over a period of time to record the frequency of diseases in user and nonuser groups. The cohort study not only provides the opportunity to compare users and nonusers (often expressed as a ratio of event rates), but also indicates the absolute incidence of disease in each group. Cohort studies require extensive advance preparation, consistent record-keeping, long-term follow-up and, to study rare diseases, a very large number of participants. Thus they are difficult to organize and expensive to maintain. Ideally, participants should be designated users and nonusers on a random basis and not by individual choice. Since randomization is rarely possible with contraceptive use, the self-selection of OC users may introduce bias into cohort studies. Further, high dropout rates can raise questions about the validity of later findings. Yet cohort studies provide the most readily understood way to identify associations between contraceptive methods and health effects, especially those that had not been previously suspected, and to quantify those associations.

The three major cohort studies are the Royal College of General Practitioners' Oral Contraception Study in the United Kingdom, the Kaiser-Permanente Contraceptive Drug Study in Walnut Creek, California (USA), commonly known as the Walnut Creek study, and the Oxford/Family Planning Association (FPA) study in the UK.

Calling on all countries

The United Nations Conference on Science and Technology for Development (UNCSTD) will be held in Vienna in August, 1979, to recommend a programme of action on how science and technology can further development goals. UNCSTD provides the most important occasion to call upon governments and international agencies to provide specific commitments for increased funding for reproductive science and contraceptive technology,as a vital contribution to the health and welfare of all mankind. For this purpose. the following draft resolution is being circulated to leading scientists, development experts and concerned citizens worldwide.

Recalling that the World Population Plan of Action, adopted by 136 governments in Bucharest in 1974, reaffirmed the principle agreed to in many other international instruments that "all couples and individuals have the basic right to decide freely and responsibly the number and spacing of their children and to have the information, education and means to do so,"

Recognizing that approximately one billion individuals in the world, and especially in the developing world, are unable to exercise that basic right effectively because of poor social conditions, inadequate methods, and the unavailability of contraceptive services,

Knowing that even the most up-to-date contraceptive technology has some limitations with respect to efficacy, safety and continuity of use that result in unacceptability in some situations, too high failure rates, and in large-scale resort to abortion,

Realizing that the inability of millions of individuals to control whether and when they will bear children results in serious health problems—prematurity, infant mortality, retardation, congenital defects, maternal mortality and morbidity—and in intractable social and economic problems—illegitimacy, early marriage, family disruption, education disadvantage and perpetuation of poverty,

Realizing also that the inability of millions of individuals to regulate pregnancy contributes to the current very high rate of world population growth that retards economic development in many developing countries and that this has led most developing countries, accounting for over 92 per cent of the population of the developing world, to announce policies to reduce fertility or to improve health through the provision of contraceptive services,

Noting that the diversity of personal, cultural, religious and economic circumstances of human life, as well as the varying needs of individuals at different stages in the life cycle, impose diverse demands upon contraceptive technology,

Bearing in mind that the present population of four billion people will continue to grow throughout this and the next century at high birth rates and high death rates unless effective, safe, low cost, culturally and morally acceptable contraceptives are made available to all people and particularly to the poor in the urban slums and rural areas of developing countries,

Bearing in mind also that there are a substantial number of promising research efforts now underway that could result in new contraceptives with increased support and that it takes substantial support and at least ten to twenty years to develop new contraceptives.

Reaffirming the Recommendation of Action adopted by all countries at the World Population Conference which called for : "The assessment and improvement of existing and new methods of fertility regulation by means of research, including basic biological and applied research; the evaluation of the impact, both in short-term and long-term effects, of different methods of fertility regulation on ethical and cultural values and on mental and physical health; and the assessment and study of policies for creating social and economic conditions so that couples can freely decide on the size of their families."

Now calls upon all governments, international agencies and private institutions and organizations, both non-governmental and commercial, to ensure :

(a) That a broad array of contraceptive methods are developed that require less complex distribution systems : that are safer, less discomforting and more convenient than present methods; that combine high acceptability of initiation and continuation of use; and that are suited to the diversity imposed by the diversity of conditions throughout the world;

(b) That there is a substantial increase in the allocation for research in reproductive science and contraceptive development that is, in real terms, three times the present allocation by 1985;

(c) That a sustained and expanded programme for research in reproductive science and contraceptive technology involves a balanced international division of labour with increased participation by the industrial nations, and with greatly increased participation, to the extent that the capacity can be made available effectively and efficiently by developing nations, with more collaborative projects and greater exchange of information;

(d) That bilateral and multilateral agencies, and particularly the United Nations Fund for Population Activities and the World Health Organization, give higher priority to supporting reproductive science and contraceptive development and training by the developing countries, in accord with "a" and "c" above;

(e) That there is increased and higher priority consideration for clinical and safety testing by the organizations best equipped to perform this function;

(f) That there are serious government efforts to involve the non-governmental sector and private industry more deeply in both basic research and product development and testing by the provision of appropriate incentives that will, at the same time, attract increased industry participation, shorten the time-lag between the scientific idea and the usable product, and provide safe, low cost, culturally and morally acceptable contraceptives.

each 5-year age group can be expected to die in childbirth. This should be compared with about 10 to 20 deaths per 100,000 associated with the use of orals by Bangladeshi women under age 40. Even in developing countries where maternal mortality is lower than in Bangladesh, OCs are much safer than childbirth at all ages below 40. Under these circumstances, the continued increase in OC use in the developing world and the spread of community-based distribution systems are well justified from a public health point of view, contributing as they do not only to lower birth rates but also to improved maternal health and survival.

Commercial Sales

Combined oral contraceptives—consisting of an estrogen and a progestin component—were first marketed in June 1960 in the United States. Within five years, purchases of OCs for prescription sales by US pharmacies had reached 65 million cycles. In other developed countries sales of oral contraceptives began somewhat later but increased with comparable or greater rapidity. Today these sales constitute the major source of oral contraceptive supplies for women in developed countries and an increasingly important source of supply in developing countries.

Purchases of oral contraceptives (and other prescription drugs) by pharmacies are audited regularly by IMS, Ltd. Data are compiled from invoices gathered from a sample of pharmacies or, in a few cases, from wholesalers and prescribing physicians in major pharmaceutical marketing areas. The sample ranges from about one per cent to 10 per cent of the total number of pharmacies in each country. The pharmacies sampled are chosen as representative of the range of shop size, based on total store sales volume, within each region. Purchases by hospitals and family planning clinics, donations, and free samples and excluded, as are purchases by other outlets. The latter may account for a portion of sales in countries where a prescription is not required by law. All pharmacy purchases are included, whether or not customers are required to have prescriptions.

Total pharmacy purchases of oral contraceptives in these major market areas in the developed and developing countries amounted in 1977 to nearly 325 million cycles, representing some 25 million woman-years of contraception. This is an increase of about 5 million users since 1972. Generally commercial sales in western Europe and the English-speaking world reached a peak in 1975 and declined somewhat in 1976 and 1977, with the biggest declines occurring in the United States during 1976 and 1977 and in the Federal Republic of Germany during 1977 (see Table I).

In the developing countries, sales continue to grow especially in Brazil, where more than 2 million women are now buying oral contraceptives (see Table I). Commercial sales of OCs in the developing world account for only about 56 million cycles, less than one-fifth as many as in developed countries. Since 1970, however, sales have increased by an average of nearly 6 million cycles annually, with the greatest increase between 1972 and 1973. Asian sales have tripled since 1972 and in Latin America, starting from a larger base, they have more than doubled. Nevertheless, even in Brazil and Puerto Rico, where usage is highest, fewer than 10 per cent of the women of reproductive age are purchasing oral contraceptives regularly (see Table II).

In the developed countries, despite declining sales in the last two years, oral contraceptives are still widely sold to women who can afford prices ranging upward from $ 1.50 (US) per month. In 12 of the 18 developed countries for which IMS has current data—Australia, Austria, Belgium, Canada, Finland, Federal Republic of Germany, France, the Netherlands, New Zealand, Portugal, the United States and the United Kingdom—more than 10 per cent of all women aged 15-44 are buying orals. In the United States enough oral contraceptives were sold to pharmacies in 1977 to provide 12·2 per cent of all women aged 15-44 with a full year's supply. The Netherlands has the highest proportion of OC users, over 40 per cent.

Other data, some from the National Survey of Family Growth, confirm relatively high rates of oral contraceptive use in the United States. In 1976, 22.3 per cent of married women of reproductive age (MWRA) were using oral contraceptives, down slightly from 25.1 per cent, recorded in 1973 (60). While orals are still the choice of younger women and women who intend to have more children, sterilization is increasingly chosen by older couples. By 1976, 28.3 per cent of couples where the wives were aged 15-44 reported husband or wife sterilized, 19.3 per cent for contraceptive reasons. Among couples where the wives were aged 30-44, 28.4 per cent had chosen sterilization for contraceptive reasons, with an equal proportion of husbands and wives sterilized. Thus the popularity of voluntary sterilization now rivals that of oral contraceptives (221).

In organized US family planning programmes, which serve about 3 million women, the proportion of clients using pills is very high, 67.2 per cent, while that choosing sterilization is quite low, probably reflecting referrals of sterilization clients to other services. The per-

TABLE I

Retail Pharmacy Purchases of Oral Contraceptives in Selected Areas, by Country and Year, 1970-1977

(In thousands of cycles)

	1970	1971	1972	1973	1974	1975	1976	1977
DEVELOPED AREAS								
Australia	6,815.7	8,191.3	8,976.5	9,813.8	11,983.2	12,561.4	11,667.8	11,056.7
Austria	2,174.1	2,671.2	3,332.0	3,743.3	3,738.1	3,956.2	4,316.8	4,130.3
Belgium	2,996.0	3,464.6	3,909.8	4,957.5	5,563.9	6,796.5	7,141.0	7,471.0
Canada	14,012.0	15,889.0	17,117.0	13,884.5	15,315.0	12,952.1	13,413.5	13,024.0
Finland	1,610.7	1,782.2	1,865.9	1,589.0	1,527.9	1,507.0	1,629.9	1,703.9
France	8,231.0	11,833.9	15,299.0	21,495.9	27,221.1	31,133.9	33,796.4	35,088.7
Germany, Fed. Rep.	29,369.9	37,879.1	42,901.1	45,746.0	45,833.5	47,178.6	48,950.0	44,220.2
Greece	226.9	277.1	286.9	271.0	266.9	364.0	367.8	383.3
Ireland*	151.5	228.8	334.4	657.8	805.6	623.5	671.6	637.1
Italy	1,808.8	2,231.2	3,677.4	4,268.2	5,334.2	6,431.1	7,625.6	8,438.6
Japan*	1,042.6	1,368.2	1,911.9	2,804.4	4,450.2	4,135.7	3,708.7	3,180.3
Netherlands	6,518.0	7,760.0	10,149.6	11,998.5	13,959.9	15,204.6	15,693.9	15,749.2
New Zealand	1,593.6	1,896.6	1,949.8	2,082.3	2,381.6	2,354.5	2,460.9	2,052.5
Portugal						3,040.9	3,752.0	3,981.0
South Africa						2,414.0	2,246.6	2,026.5
Spain	1,823.4	2,285.0	2,760.0	3,753.8	4,447.4	5,756.8	6,146.8	7,539.3
United Kingdom	13,824.7	16,997.9	18,948.2	21,790.5	23,812.5	28,163.6	28,494.2	29,492.9
United States	70,655.3	81,203.7	89,147.2	98,327.0	102,761.0	102,790.0	90,690.0	77,589.0**
Sub-total	162,854.2	195,959.8	222,566.7	247,183.5	269,402.0	287,364.4	282,773.5	267,764.5
DEVELOPING AREAS								
Asia								
Indonesia						792.3	931.2	1,028.1
Iran			596.8	615.5	639.5	866.1	1,199.0	1,529.4
Pakistan						166.8	216.9	218.6
Philippines	982.69	755.2	623.0	745.6	798.2	697.7	697.9	740.1
Saudi Arabia						560.9	328.4	473.2
Turkey	932.1	1,349.5	1,484.4	1,958.1	1,876.5	2,461.4	3,038.5	4,144.1
Sub-total	1,915.0	2,104.7	2,704.2	3,319.2	3,314.2	5,545.2	6,411.9	8,133.4
Latin America								
Argentina	3,406.0	3,514.3	3,924.3	4,306.4	4,297.7	3,209.1	3,863.4	3,288.2
Brazil	6,895.0	9,314.3	10,383.2	17,966.3	22,490.8	26,207.4	24,320.6	28,577.8
Central America			1,012.8	1,112.8	1,103.1	1,097.7	1,249.1	1,192.8
Colombia	1,105.0	1,404.2	1,641.5	2,048.3	2,417.2	2,794.3	3,064.1	3,328.3
Ecuador						470.1	532.8	533.6
Mexico	2,810.0	2,715.8	3,628.4	5,244.6	5,974.4	6,176.8	6,373.5	7,244.3
Peru	376.0	497.6	680.3	867.0	1,203.6	986.0	1,171.1	1,218.5
Puerto Rico	223.0	311.0	427.0	449.9	809.0	840.3	715.2	885.8
Venezuela	553.0	716.1	828.4	1,203.7	1,361.9	1,512.7	1,764.1	2,000.3
Sub-total	15,378.0	18,473.3	22,525.9	33,199.0	39,657.7	43,294.4	43,053.9	48,369.6
TOTAL	180,147.2	216,537.8	247,796.8	283,701.7	312,373.9	336,204.0	332,239.3	324,267.5

*Products licensed for therapeutic, not contraceptive purposes

** In the 12 months ending June 1978, 71,895

Note : These figures do not include subsidized programmes, samples, or sales to hospitals or family planning clinics.

Source : IMS International/America, Ltd., studies prepared for the Population Information Programme, 1977 and 1978 (81, 82)

TABLE II

Minimum Percentage of Women Aged 15-44 Supplied with Oral Contraceptives Through Commercial Channels in Selected Areas, 1970-77

	1970	1971	1972	1973	1974	1975	1976	1977
DEVELOPED AREAS								
Australia	20.2	24.2	25.6	27.2	32.5	33.4	30.3	28.0
Austria	11.8	14.4	17.9	19.8	19.6	20.7	22.3	21.0
Belgium	12.1	14.0	15.6	19.5	21.8	26.5	27.6	28.7
Canada	23.9	26.4	27.7	21.7	23.4	19.4	19.6	18.7
Denmark*	27.5	27.6	29.9	32.1	24.9	20.3	23.2	22.2
Finland	11.9	13.1	13.6	11.9	11.4	11.2	12.0	12.5
France	6.1	8.8	11.3	15.6	19.6	22.2	23.9	24.6
Germany, Fed. Rep.	18.9	24.4	27.6	28.7	28.6	29.3	30.0	26.8
Greece	0.9	1.0	1.1	1.1	1.1	1.5	1.5	1.6
Ireland	2.2	3.2	4.8	8.7	10.5	7.9	8.3	7.7
Italy	1.2	1.5	2.4	2.9	3.6	4.3	5.1	5.6
Japan	0.3	0.4	0.6	0.8	1.3	1.2	1.1	0.9
Netherlands	18.6	21.8	28.1	32.8	37.7	40.5	41.2	40.8
New Zealand	21.5	24.9	25.0	26.6	29.7	28.7	29.3	23.9
Portugal					0.7	12.3	15.0	15.8
South Africa						3.4	3.1	2.7
Spain	1.9	2.4	3.0	4.0	4.7	6.1	6.4	7.8
United Kingdom	9.9	12.1	13.4	15.5	16.9	19.8	19.8	20.3
United States	12.7	14.4	15.4	16.7	17.1	16.8	14.5	12.2
DEVELOPING AREAS								
Asia								
Indonesia						0.2	0.2	0.2
Iran			0.8	0.8	0.8	1.0	1.3	1.6
Pakistan							0.1	0.1
Philippines	1.0	1.3	0.6	0.7	0.7	0.6	0.6	0.6
Saudi Arabia						0.3	1.3	1.9
Turkey	1.0	1.4	1.5	1.9	1.8	2.3	2.8	3.7
Latin America								
Argentina	4.9	5.0	5.6	6.2	6.1	4.5	5.4	4.7
Brazil	2.7	3.5	3.8	6.2	7.5	8.5	7.7	8.7
Colombia	1.9	2.4	2.7	3.2	3.6	4.0	4.2	4.4
Ecuador						2.5	2.7	2.6
Mexico	2.1	2.0	2.5	3.6	4.0	4.0	3.9	4.3
Peru	1.0	1.3	1.8	2.2	3.0	2.3	2.7	2.7
Puerto Rico	2.9	3.7	5.0	5.4	9.5	9.6	8.0	9.3
Venezuela	2.0	2.6	2.9	3.9	4.3	4.6	5.1	5.6

* Anderson (7), Gram (67)

Note : These percentages were calculated from the data in Table II as follows:

(1) Pharmacy sales of oral contraceptives were divided by 13 to give the maximum number of women taking oral contraceptives for one full year or woman-years of use.

(2) Woman-years were divided by the female population aged 15-44 × 100 to give the minimum percentage of women aged 15-44 buying oral contraceptives in sufficient quantity for one year of use.

These figures represent the minimum number of users because the woman-years concept counts, for example, two women using orals for 6 months apiece as one woman-year. On the other hand, pharmacy purchases from wholesalers include supplies in inventory and thus may overcount actual users during a period of inventory buildup. No attempt is made in these data to account for nonfertile women or women not married, not at risk of pregnancy, or already pregnant.

Source : IMS International/America, Ltd., studies prepared for the Population Information Programme, 1977 and 1978 (81,82) centage of these clinic-served women using orals has fallen slightly from 70.3 per cent in 1970 (200).

Is fecundity affected?

Among long-standing concerns about oral contraceptives have been questions about the return of fecundity after their use and about congenital malformations in offspring of former OC users. New information from large-scale studies is reassuring on both counts.

In contrast to this long-sought information, recent cohort study findings on rheumatoid arthritis and acute hepatitis are unexpected: OC users were diagnosed less frequently than non-users as having rheumatoid arthritis and more frequently as having hepatitis.

Women who stop taking oral contraceptives to become pregnant can expect to wait a few months longer for conception than former users of IUDs and traditional methods, but there seems to be little risk that oral contraceptive use leads to permanent sterility. The best data come from the Oxford/FPA study and the Jerusalem Perinatal study. They compare the conception rates over time of large numbers of women—1,174 former pill users and 779 former users of other methods in the Oxford/FPA study, 1,403 pill users and 4,477 users of other methods in the Jerusalem study (73,218). Both studies found that conception rates among former pill users lagged behind rates among other women for a few months but eventually caught up. In the Jerusalem study the difference disappeared in three months, in the Oxford/FPA study, in 42 months. Duration of OC use did not appear to affect the length of temporary impairment of fertility in the Oxford study (218). In the Jerusalem study, fertility returned more slowly on the average to older pill users, particularly if they had used the pill for a long time. There was little suppression of fertility in young women, regardless of the length of pill use, or in older, short-term users (73).

The trend in the United States towards selection of formulations with lower estrogen content is continuing, according to IMS data. Combination oral contraceptives with 50 μg of estrogen—which constituted less than 10 per cent of the market in 1967—increased their share to more than 50 per cent by 1977. Moreover, since 1972 formulations with even less than 50 μg of estrogen have been approved, and they now account for nearly 18 per cent of the market. OCs with 100 or more μg of estrogen constitute less than 20 per cent of prescription sales, but the 100 μg and 80 μg formulations, while falling from 43.6 per cent of the market in 1973, are still the choice of one-quarter of US pill users. The continued use of these formulations may be explained by some women's need for more estrogen to prevent breakthrough bleeding or by preferences for familiar and satisfactory brands.

Oral contraceptive use is high in a number of developed countries not included in the IMS audit. For example, in Denmark in 1976, 1977 and the first half of 1978, there were approximately 240,000 women using oral contraceptives, or 23 per cent of women aged 15-44 (7); in Sweden an average of about 6 million cycles was sold in 1976 and 1977 (48), representing about 460,000 women or 28 per cent of women aged 15-44; and in Hungary an estimated 500,000 women were using orals in 1976, or about 20 per cent of all women aged 17-49 (101, 102).

Unlike the developed countries, where commercial sales account for most of the contraceptives used, in the developing countries organized family planning programmes play the major role in supplying women with oral contraceptives. Since 1967 the US Agency for International Development (USAID) has been the most important source of supply for developing country programmes, in both the public and private sectors (see Table III). USAID supplies have increased from less than 4 million cycles in 1968 to close to an estimated 105 million in 1978. Since 1974, when USAID shipments more than doubled, from 40 million to 103 million, yearly deliveries to some 65 countries have averaged about 97 million cycles. Countries now receiving the largest quantities are Morocco, Bangladesh, Indonesia, the Philippines and Thailand. USAID pays about $ 18 (US) a cycle, including shipping. Supplies also go to private voluntary agencies like the International Planned Parenthood Federation for use in their programmes.

Another government that has made oral contraceptives available to developing countries is Sweden. Through its International Development Authority (SIDA), Sweden provided or acted as a purchasing agent for some 40 million cycles between 1967 and 1973 and another 13 million during 1974-77. Swedish donations in 1977 amounted to about 4 million cycles for Kenya, Sri Lanka and Vietnam. In 1978 SIDA had plans to ship 50,000 cycles to Sri Lanka only (see Table IV). The United Nations Fund for Population Activities (UNFPA) will continue to provide contraceptives to most of the other countries.

As a source of support for national government population programmes, including provision of contraceptive supplies, UNFPA is playing an increasing role. UNFPA funding for all contraceptive supplies totalled approximately $13 million between 1969 and 1976, with $3.4 million expended in 1977 and $5.3

million budgeted in 1978. Oral contraceptives may represent roughly 60 per cent of these figures at an average cost per cycle, including shipping, of $25 (US). UNFPA has provided raw materials for the manufacture of oral contraceptives to Egypt, India and Cuba. Within the UN system about 80 per cent of the contraceptives funded by UNFPA are purchased and delivered by the UN Children's Fund (UNICEF) and 20 per cent by the World Health Organization (WHO). According to USAID data on oral contraceptive deliveries received during 1977, some 2 million cycles from UN agencies reached Bangladesh; 1.3 million, Thailand; 1 million, Costa Rica; 708,000, Colombia; and smaller amounts, Tunisia, El Salvador, the Dominican Republic, Haiti, and Paraguay.

Other donors who provide quantities of oral contraceptives—often brands or formulations which USAID does not provide—include the International Planned Parenthood Federation, the Pathfinder Fund, Family Planning International Assistance and other governments. The total supply now provided as

Deliveries of Oral Contraceptives (in thousands of cycles) Financed by the United

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	Est. 1978	Total
Africa													
Botswana	—	—	—	—	—	100	—	50	25	—	2	22	199
Ethiopia	—	—	29	—	5	—	30	—	313	—	—	—	377
Ghana	—	40	83	87	407	79	324	1,235	1,090	1,749	—	90	5,184
Kenya	—	103	215	20	49	81	179	253	100	—	—	—	1,000
Lesotho	—	—	—	—	—	—	16	50	6	20	—	—	92
Liberia	—	—	—	—	30	30	60	2	—	107	—	20	249
Mauritius	—	—	—	—	50	—	—	5	5	—	—	—	60
Morocco	—	—	30	40	160	200	987	2,300	703	700	5,011	5,000	15,131
Nigeria	—	—	85	15	120	50	167	25	160	—	6	—	628
Sierra Leone	—	—	10	—	10	5	2	61	3	15	—	22	128
Sudan	—	—	—	—	—	—	—	14	85	—	102	20	321
Swaziland	—	—	—	—	—	—	—	158	—	—	—	—	158
Seychelles	—	—	—	—	—	—	3	62	8	—	—	—	73
Tanzania	—	—	50	—	40	55	80	52	315	485	1,801	1,844	4,722
Tunisia	—	180	92	64	12	220	72	271	160	930	670	720	3,391
Uganda	—	—	—	10	20	5	—	50	16	150	—	30	281
Zaire	—	—	—	—	—	—	27	142	25	20	150	—	364
Zambia	—	—	—	—	—	—	5	50	226	20	—	—	301
Other (6)*	—	22	19	—	34	25	10	24	10	5	—	41	190
Sub-total	—	345	613	236	937	850	1,962	4,804	3,250	4,201	7,742	7,809	32,749
Asia													
Afghanistan	—	60	40	100	170	—	—	240	400	27	—	200	1,237
Bangladesh	—	—	—	—	—	175	20	9,087	7,540	8,655	10,570	18,503	54,550
Egypt	—	—	—	—	—	—	—	1,200	—	—	—	—	1,200
Hong Kong	—	15	220	—	300	250	150	50	—	—	—	—	985
India	30	970	470	—	—	—	—	—	—	—	—	—	1,470
Indonesia	—	261	90	1,100	2,100	5,640	15,636	18,807	29,188	30,800	59,160	36,216	198,998
Iran	—	—	—	—	—	—	—	103	—	10	—	50	163
Jordan	—	—	—	—	—	60	—	—	—	—	—	—	60
Korea, South	—	—	—	—	—	—	—	3,000	2,300	—	—	—	5,300
Laos	—	—	3	—	4	20	350	434	—	—	—	—	811
Malaysia	—	—	300	193	340	395	390	523	205	65	80	—	2,491
Nepal	—	155	100	100	5	44	446	906	575	3,300	—	—	5,631
Pakistan	—	26	—	400	350	395	40	4,676	10,123	12,568	—	—	28,578

evelopment assistance is probably n the neighbourhood of 120 illion cycles, or about double the mount sold through commercial hannels in developing countries.

Counting, calculating, or estima-ng oral contraceptive usage in eveloping countries is difficult by any method. Although family lanning programme statistics are mproving in most countries, they do not include commercial usage, and they often do not include programmes sponsored by nongovernmental agencies. Table V presents and compares data on 1977 usage gathered by the Population Council and by USAID. In most cases, the Population Council figures are for January 1977, the USAID figures for October - November-December 1977. In countries with rapidly advancing programmes, a year's time may make some difference, but other discrepancies between the estimates remain—in service programme tallies, in commercial sales estimates, and even in the estimated numbers of married women of reproductive age that are used to calculate use rates.

Nonetheless, it is clear that in Africa only four countries report

II

Agency for International Development by Calendar Year and Area, 1967-78

	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	Est. 1978	Total
Philippines	—	165	375	1,900	1,867	6,012	6,148	26,773	11,780	500	1,435	10,601	67,559
Singapore	—	436	—	—	—	—	—	—	—	—	—	—	436
Sri Lanka	—	37	30	35	50	100	25	184	50	—	—	—	511
Taiwan	—	50	220	580	500	1,942	935	1,620	—	135	—	—	5,982
Thailand	—	500	50	4,600	2,320	3,130	7,150	8,618	8,454	16,691	2,500	4,411	58,424
Vietnam	—	89	128	—	78	435	70	1,475	176	—	—	—	2,451
Other(7)*	—	6	—	—	—	1	—	144	3	28	30	31	243
Sub-total	30	2,770	2,026	9,008	8,084	18,599	31,360	77,840	70,794	72,779	72,775	70,012	437,077
Latin America													
Barbados	—	17	36	60	200	—	70	74	—	—	—	—	457
Chile	—	—	80	800	—	500	389	1,863	1,360	600	816	—	6,408
Colombia	—	—	50	120	80	322	1,347	1,855	2,278	1,550	—	—	7,602
Costa Rica	—	35	—	225	150	159	322	335	800	400	—	504	2,930
Domin. Rep.	90	100	106	—	200	226	—	200	5	50	—	75	1,052
Ecuador	—	15	40	59	48	394	25	—	41	—	—	—	622
El Salvador	—	50	90	251	385	120	100	652	150	1,701	1,015	1,401	5,915
Mexico	—	—	—	—	—	—	—	—	—	—	—	10,502	10,502
Guatemala	—	110	100	120	250	200	349	415	600	380	—	—	2,524
Haiti	—	—	—	—	—	—	—	—	—	—	—	1,333	1,333
Honduras	—	15	75	77	169	310	84	461	640	1,295	—	356	3,482
Jamaica	—	195	196	105	5	41	183	701	400	524	550	397	3,297
Nicaragua	—	50	—	—	123	90	110	612	320	160	1,337	1,000	3,802
Panama	—	5	—	105	—	52	344	670	115	—	600	—	1,891
Paraguay	—	7	—	4	25	89	152	309	335	205	581	461	2,168
Peru	—	—	—	—	—	—	—	—	—	—	—	208	208
Uruguay	—	—	—	40	—	5	—	10	24	20	50	50	199
Venezuela	—	10	40	160	390	300	1,020	1,268	1,930	950	—	413	6,481
Other(17)*	—	14	61	101	148	64	159	143	323	44	2	25	1,084
Sub-total	90	623	874	2,227	2,173	2,872	4,654	9,568	9,321	7,879	4,951	16,725	61,957
Country NA	—	152	896	800	48	689	2,889	10,938	5,327	14,941	5,947	10,537	53,154
Total	120	3,890	4,409	12,271	11,242	23,010	40,865	103,150	88,692	99,800	92,415	105,083	584,947

*Other—Designates countries with less than 50,000 cycles in any year, i.e. **Africa**: Burundi, Benin, Gambia, Rwanda, Senegal, Togo; **Asia**: Ryukyu Islands, Tonga, Khmer Rep., Lebanon, Iraq, Syrian Arab Rep., Cyprus; **Latin America**: Argentina, Antigua, Aruba, Bolivia, Dominica, Grenada, Guyana, Mauritius, Montserrat, Netherlands Antilles, Peru, St. Kitts, St. Lucia, St.Vincent, Surinam, Trinidad, Windward Islands.

Source: USAID, Office of Population (203, 204)

OC usage rates near or above 5 per cent of married women of reproductive age : Egypt, reporting about 10 per cent; Mauritius, with a high rate among developing countries of 29.2 per cent; and Morocco and Tunisia, each with about 5 per cent.

In Asia, at least nine countries appear to have usage rates higher than 5 per cent : Hong Kong with 28 per cent; Iran, reporting 21 per cent, and Malaysia, reporting 27 per cent (both figures that may be questionable); Singapore, Indonesia, and Thailand, between 12 and 17 per cent; and Fiji, the Philippines, and Taiwan, between 5 and 10 per cent.

In the western hemisphere also, at least nine developing countries may now have more than 5 per cent of married women of reproductive age using orals : Costa Rica and Jamaica, both well over 20 per cent; Colombia, the Dominican Republic, Nicaragua, Panama, and Paraguay, around 15 per cent; and El Salvador and Mexico, between 5 and 10 per cent.

Family planning service statistics such as these often reflect hopes as well as performance. Alternate sources of countrywide data now available are the various World Fertility Surveys, in which a representative sample of women of reproductive age is asked extensive questions on socio-economic, demographic, fertility and contraceptive status. Data from 11 countries have been released (see Table VI). These confirm oral contraceptive prevalence rates of more than 10 per cent in Malaysia, Thailand, Colombia, Costa Rica and Panama. Only Costa Rica is over 20 per cent. These surveys were taken in 1974, 1975 and 1976, however, and some increases in usage would be likely in the years since.

Most of the developing countries which show high acceptance of oral contraceptives are those in which community-based or commercial distribution programmes have been established. OCs are distributed in these countries by paramedical personnel, for example, midwives (as in Thailand and Malaysia), by community workers and village leaders (as in Colombia and Indonesia), or at subsidized rates, through pharmacies or local shops and bazaars (as in Tunisia, Colombia and Sri Lanka). In countries where physicians are in general scarce and in rural areas almost impossible to find, oral contraceptive use cannot be expanded except through nonmedical, nonclinical distribution systems.

Not included in these data are the oral contraceptive use in the People's Republic of China. No Chinese data have been published either on production of steroid contraceptives or on nationwide use. Figures from selected communes given to visitors show OC use rates ranging from 9 to 59 per cent of all contracepting couples. Over 95 per cent of Chinese couples are estimated to be using some fertility control method (33, 88). Table VII gives figures, from six different communes or work sites, gathered by F. Jaffe and D. Oakley during a fact-finding trip in 1977. While there is no evidence to justify extrapolating any of these figures nationwide, they do suggest considerable pill use in China.

Under the circumstances, estimates of oral contraceptive use worldwide are highly tentative and problematical. USAID officials have suggested a figure of about 55 million women (or couples) protected from unwanted pregnancy by orals (152, 185). The figures of 54 million as calculated in Table VIII includes an extremely rough estimate for the People's Republic of China—13 per cent of the total population representing married women of reproductive age (a low percentage because of late ages of marriage) and 10 per cent of those married women using OCs (a rate in the same range as that of Indonesia and the Philippines). Commercial sales covered by IMS do not include Scandinavia and eastern Europe among the developed regions and much of Latin America, the Caribbean and south Asia among the developing countries. Therefore, these figures all have wide margins

TABLE IV

Deliveries of Oral Contraceptives Financed by the Swedish International Development Authority, by Calendar Year and Area, 1974-77

(In thousands of cycles)

	1974	1975	1976	1977	Total
AFRICA					
Kenya	1,000	2,000	1,350	3,870	8,220
ASIA					
Korea, South	2,500				2,500
Malaysia	800				800
Sri Lanka*	550	600	600	24	1,774
Vietnam, Socialist Republic of	100	140	30	100	370
Sub-total	3,950	740	630	124	5,444
TOTAL	4,950	2,740	1,980	3,994	13,664

*50,000 cycles were scheduled for 1978 delivery.

Source : Ekroth, Swedish International Development Authority (50) of error. They are presented here to give a basis for estimating the worldwide prevalence of OC use in 1977.

Research on the side effects of oral contraceptives has continued and expanded. Hardly an obstetrics and gynaecology journal appears without some mention of oral contraceptives in relation to symptoms, diseases, or laboratory measurements—reports which the popular media are quick to pass on to the public. In all languages all over the world readers are constantly warned about real or suspected hazards of steroidal contraceptives. Oral contraceptives are not only one of the world's most widely used drugs, they are also one of the most carefully scrutinized by both medical and lay people.

The most disturbing findings of the two British cohort studies relate to circulatory system disease. Both the Royal College study and the Oxford/Family Planning Association study found that oral contraceptive users died from vascular disease at a higher rate than non-users.

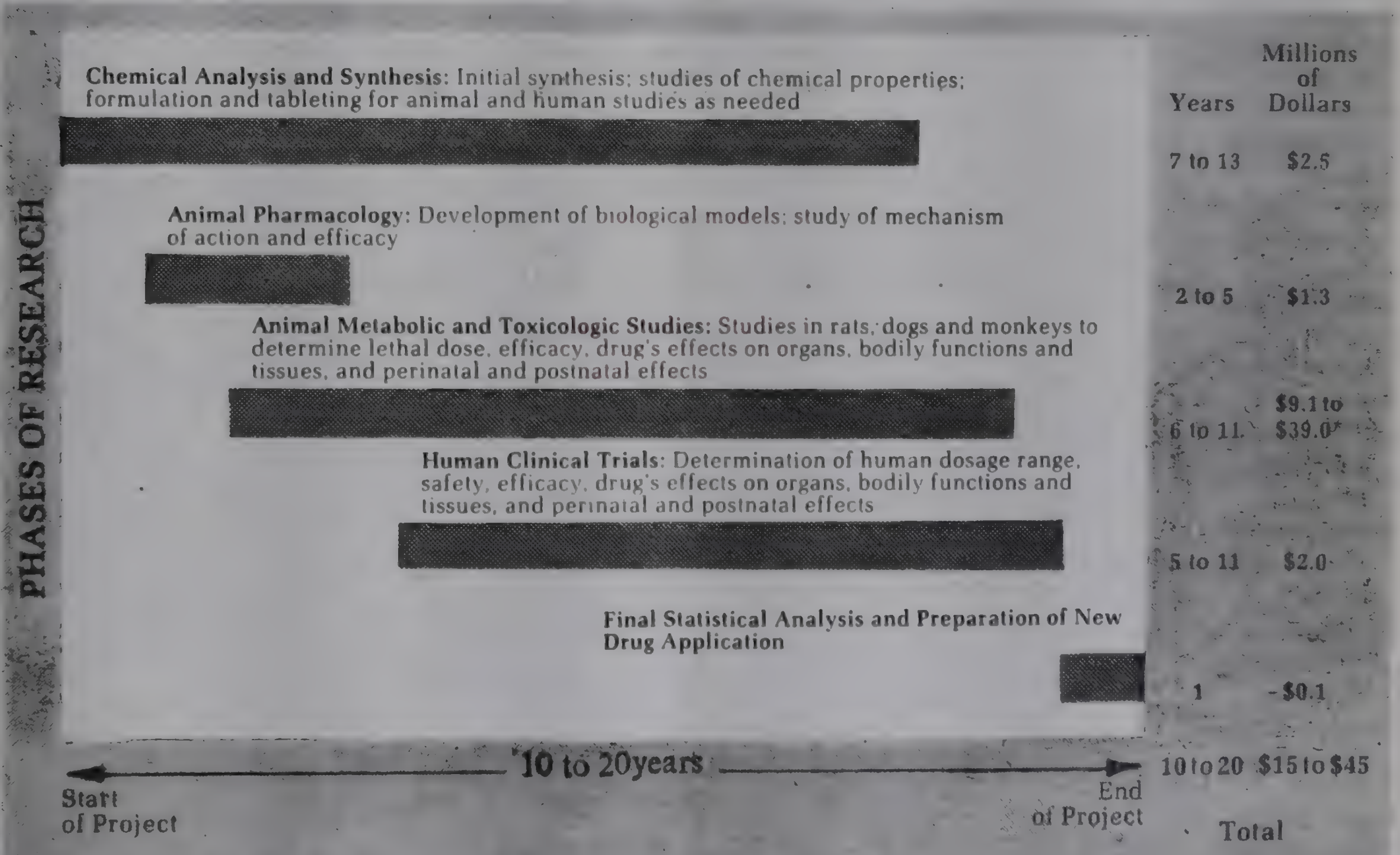
Furthermore, a broader range of diseases was involved than had been previously found in case-comparison studies and earlier cohort data. The Royal College study also indicated that mortality rates increased with duration of oral contraceptive use and that even in women who discontinued orals the rate of mortality from circulatory disease was higher than in women who had never used them. Both analyses noted that a high proportion of the deaths in each study population was among women who smoked.

OCs have been known for some time to affect the risk of circulatory system diseases; particularly, they have been linked to clotting in the veins. The thrust of recent research is that OCs may affect a broader range of circulatory disorders than could be confirmed earlier, but that the increased risk may be largely confined to older women with conditions predisposing them to such diseasers. These conditions include obesity, hypertension, high cholesterol levels, diabetes, and most importantly, smoking.

Outside the realm of circulatory

Over to p. 1119

Estimated time and cost required to develop and test a new contraceptive drug



*Lower estimates are based on studies needed for a luteolytic or abortifacient agent. If the costs of additional animal toxicologic studies required by the U.S. Food and Drug Administration for systemic contraceptive drugs are included, the total cost of animal studies could be as much as $39 million.

Source: Adapted from "Birth Control After 1984," by Carl Djerassi, Science, 169:941-951, 1970 and personal communication.

TABLE V

Two Estimates of Number (in Thousands) and Percentage of Married Women of Reproductive Age (MWRA) Using All Methods of Contraception and Using Oral Contraceptives, by Source of Supply and Service in 36 Countries, Calculated by Population Council and US Agency for International Development, 1977

	Population Council Data						USAID Data	
	Commercial Sector		Government Sector		All Sources		Organized Programmes	
	No. of Users	% of MWRA	No. of Users	% of MWRA	No. of Users	% of MWRA	No. of Users	% of MWRA
AFRICA								
Egypt 1975								
All Methods					1,085	21	855.7	15.4
Orals					555	11	587.7	10.6
Ethiopia 1977								
All Methods							31.0	0.6
Orals							30.3	0.5
Ghana 1977								
All Methods			42.1	2.1	42.1	2.1		
Orals			24.1	1.2	24.1	1.2		
Kenya 1977								
All Methods							96.9	4.9
Orals							52.9	2.7
Mauritius 1978								
All Methods	4.2	3.4	61.6	49.2	65.8	52.5		
Orals	3.7	3.0	32.9	26.3	36.6	29.2		
Morocco 1977								
All Methods							165.0	6.2
Orals							125.0	4.7
Tunisia 1977								
All Methods			137	17.0			199.3	21.9
Orals	21.7	2.7	17.8	2.2	39.5	4.9	53.3	5.8
Zaire 1977								
All Methods							12.2	0.3
Orals							3.5	0.1
ASIA								
Afghanistan 1977								
All Methods							23.7	1.1
Orals							13.8	0.6
Bangladesh 1977								
All Methods					1,600	8.9	1,716.6	12.8
Orals					410	2.3	645.7	4.8
Fiji 1978								
All Methods	3	3	31	34	34	38		
Orals	2	2	5	6	7	8		
Hong Kong 1977								
All Methods	164	32	234	45	316	64		
Orals	56	11	87	17	143	28		
India 1977								
All Methods			24,949	23.9			26,082.0	24.4
Orals							67.0	0.1
Indonesia 1977								
All Methods			4,370	23.0			4,318.7	20.2
Orals			2,563	13.5			2,524.9	11.8

—*Contd.*

TABLE V—*Contd*

	Population Council Data						USAID Data	
	Commercial Sector		Government Sector		All Sources		Organized Programmes	
	No. of Users	% of MWRA	No. of Users	% of MWRA	No. of Users	% of MWRA	No. of Users	% of MWRA
Iran 1978								
All Methods	453	8.1	905	16.2	1,358	24.3		
Orals	453	8.1	719	12.8	1,172	20.9		
Korea 1977								
All Methods	1,035	21.7	1,059	22.2	2,094	43.9	1,440.2	28.2
Orals	143	3.0	224	4.7	367	7.7	179.0	3.5
Malaysia 1976								
All Methods	137	10	332	24	469	34		
Orals	110	8	260	19	370	27		
Nepal 1977								
All Methods							107.1	4.3
Orals							29.3	1.2
Pakistan 1975								
All Methods					780	6	1,760.6	14.5
Orals							695.3	5.7
Philippines 1977								
All Methods			1,200	22.0	1,200	22.0	1,348.9	24.0
Orals			560	10.5	560	10.5	468.4	8.3
Singapore 1968								
All Methods	51	18	153	53	204	77.1	153.4	57.2
Orals	9	3	40	14	49	17	40.0	14.9
Taiwan 1977								
All Methods	583	27	830	38	1,413	65		
Orals	56	3	110	5	166	8		
Thailand 1977								
All Methods			1,936	34.2			1,750.1	31.2
Orals			918	17.3			642.9	11.5
WESTERN HEMISPHERE								
Colombia 1976								
All Methods	698.0	22.5	810	26.1	1,508	48.6	892.0	33.6
Orals	108.8	3.5	394	12.7	502.8	16.2	409.5	15.4
Costa Rica 1976								
All Methods					78.8	33.7	112.0	48
Orals					53.7	23.0	75.6	33
Dominican Republic 1977								
All Methods	210	21	93	9.3	303	30.3	140.7	23.7
Orals			60	6.0			86.5	14.7
Ecuador 1975								
All Methods					51.7	6.3	96.2	12.0
Orals					19.0	2.3	38.6	4.8
El Salvador 1976								
All Methods	26	3.1	61	7.3	87	10.4	176.4	27.6
Orals	8	0.9	32	3.8	40	4.7	52.1	8.2
Guatemala 1977								
All Methods							66.9	7.6
Orals							32.0	3.6

Contd

TABLE V—*Contd.*

	Population Council Data						USAID Data	
	Commercial Sector		Government Sector		All Sources		Organised Programmes	
	No. of Users	% of MWRA	No. of Users	% of MRWA	No. of Users	% of MWRA	No. of Users	% of MRWA
Haiti 1976					41	5	192.0	19.9
Orals							25.7	2.7
Jamaica 1977								
All Methods							85.3	42.0
Orals							46.3	22.8
Mexico 1976								
All Methods	800	9	1,015	12	1,815	21		
Orals	575	6	225	3	800	9		
Nicaragua 1977								
All Methods							62.2	22.5
Orals							43.8	15.9
Panama 1975								
All Methods					175	44	59.8	31.9
Orals					48	12	28.8	14.9
Paraguay 1975								
All Methods							90.3	27.0
Orals							55.1	16.4
Peru 1977								
All Methods							19.3	9.9
Orals							9.6	4.9
Total Orals Column	1,546.2 (379.7)		6,271.8 (1,463.0)		5,362.7		7,062.6	
Estimated Total Programme Use							8,525.6	

Note : Population Council data are for January of specified year unless otherwise noted; 1978 data unpublished. AID data are for 4th quarter of 1977 unless otherwise noted.

Source : Nortman and Hofsatter (132); USAID, Office of Population (203)

TABLE VI

Percentage of Married Women of Reproductive Age Using Various Contraceptive Methods in Selected Developing Countries, as Reported in World Fertility Surveys, 1974-76

Country	Percentage of Married Women of Reproductive Age*									
	Date	All Methods	OCs	Injectables	Sterilization	IUD	Condoms	Rhythm	Withdrawal	Other
ASIA										
Fiji	1974	40	8		16	5	6	2	2	1
Korea, South	1974	35	8	0.2	5	8	5	5	3	1
Malaysia	1974	33	—16—		4	1	3	2	2	6
Nepal	1976	2	0:4		1.6	0	0.2	0	0	0.1
Pakistan	1975	5	1		1	1	1	0	0	1
Sri Lanka	1975	33	2		10	5	2	8	2	4
Thailand	1975	33	14	2	8	6	0.4	—3—		
LATIN AMERICA										
Colombia*	1976	42	13		4	8	2	6	5	4
Costa Rica	1976	64	22		13	5	9	5	5	5
Dominican Republic	1975	31	8		12	3	2	1	4	2
Panama*	1976	54	17		22	4	1	2	3	5

*Aged 15-44, except in Costa Rica and Panama, 20-49 **Source :** World Fertility Surveys (36, 43, 45, 57, 104, 112, 127, 140, 142,190, 203) system disease, recent studies reveal no substantial new risks associated with OC use. In fact, some concerns—particularly over effects on subsequent fertility and on offspring conceived after pill use—have been quieted by recent reports.

Further research may help explain the synergistic action of smoking and oral contraceptives, better identify the diseases involved, and better quantify the risks of the two factors separately and in combination. It is clear already, however, that the risks of heart attack and subarachnoid hemorrhage for healthy young OC users who do not smoke or have no other factors predisposing them to cardiovascular disease are very slight.

Applying the findings of the US and British epidemiologic studies directly to women in developing countries may not be justified. The women of developing countries differ from the women of industrialized nations in diet, lifestyle, genetic heritage, exposure to disease vectors and environmental contaminants, smoking habits and myriad other ways that seem to affect cardiovascular disease. Furthermore, not enough research has been done in developing countries to justify a conclusion that the risk factors for cardiovascular diseases that have been lidentified in the industrialized nations are important elsewhere. Indeed, some have observed that they are not. For example, A.G. Shaper notes that :

> It is the experience of the vast majority of clinicians and pathologists working in the tropics that even the obese, sedentary, severely hypertensive, longstanding diabetic does not (except with the rarest of exceptions) develop coronary heart disease, even in soft-water areas (183).

Furthermore, it is widely recognized that in developing countries (1) the incidence of circulatory system diseases is low, with the possible exception of hypertension, and (2) many "Western" risk factors are far less prevalent. This double advantage would mean that, even if US and British risk ratios could be applied to developing country women, the incidence of circulatory system disease attributable to OCs would be very slight.

Smoking among women is, generally, a practice of the developed countries. National per capita tobacco consumption corresponds to per capita income (140), and in the developing countries women usually comprise a much smaller portion of smokers and of those who smoke heavily than they do in the developed countries. A sampling of data from around the world discloses these percentages of women smoking : 4-6 per cent in Guyana (12, 122), 1.6 per cent in Sri Lanka (209), 3.6 and 7.8 per cent in two ethnic groups in Natal (179), 13.9 per cent in Jamaica (122), and, in Latin American cities, from 7 per cent in Lima to 26 per cent in Santiago (96). This compares with 30 to 50 per cent in the US and Britain (122, 167, 208). Thus whatever effect smoking may have on the health of OC users in developing,countries, it would be a much smaller public health problem than in the developed countries.

Assuming that the US and British risk factors for heart attack of smoking, high cholesterol levels, and hypertension apply in developing countries, J. Heiby has used data from British studies (114, 134, 214) to estimate the risk of heart attack for women in traditional societies. Like smoking among women, hypercholesterolemia is relatively rare in traditional societies (12, 113, 137, 139, 180), while hypertension rates Heiby assumed to be similar. Heiby calculated, then, that the proportion of women in a traditional society with one of these risk factors would be 30 per cent than of British women; with two risk factors, 9 per cent; with three risk factors, 1·5 per cent. Overall,

TABLE VII

Per Cent Distribution of Birth Control Methods Used in Selected Places in China, 1977

Place	OCs	IUDs	Condoms	Sterilization	No method
Peking pharmaceutical factory	34	24	24	18	0
Wan-Tou commune	11	62	1	12	14
Chang-Ching commune	9	18	0	60	13
Shanghai municipality	25	15	13	46	1
Fushan silk factory	59	17	0	24	0
Fushan ceramic factory	26	13	0	51	10

Note: The per cent distribution of methods was given as shown, but it was not clear whether the totals in the different places represented all married women of reproductive age or all contraceptive users.

Source: Jaffe and Oakley, (88)

TABLE VIII

Estimated Number of Oral Contraceptive Users Worldwide, 1977

(Millions of women)

Developed Country Users		
Commercial Sales	21	± 2.0
Other Commercial Sales	3	± 0.5
Government Programmes	4	± 0.5
Developing Country Users		
Commercial Sales	4	± 0.5
Other Commercial Sales	1	± 0.5
Government Programmes	9	± 2.0
People's Republic of China		
900 million people × 13% estimated MWRA × 10% estimated usage	12	± 5.0
Total	54	± 11.0

the mortality rate—presuming equal survival rates for heart attack cases—would be 19 per cent of the British rate, or roughly four heart attack deaths annually per one million OC users. Screening out tobacco users, Heiby estimated, would reduce the rate to three per million (74).

Heiby's estimate deals only with heart attack risk. Given the need to rely on crude assumptions about the role of risk factors and sparse data on their prevalence, it is a rough estimate, not applicable to any specific country or group of women. Nonetheless, it suggests the considerably lower risk of circulatory system disease in women, including those who use oral contraceptives, in developing countries compared with women in developed countries. Only actual research in developing countries will determine whether the risks exist there and to what extent.

Effects on offspring

Recent large-scale studies have dispelled much of the fear that women who have used oral contraceptives before pregnancy might be more likely than non-users to bear infants with congenital malformations. At the same time, while there is still much to be learned, research strongly suggests that women should avoid taking any steroidal hormones during pregnancy and should switch to another contraceptive method immediately if they think they might be pregnant.

Both British cohort studies and the Boston area mail survey have found no evidence of any major adverse impact of previous pill use on fetal development (164, 171, 213). These studies involved from over 1,000 to more than 5,000 births to former pill users. In none of them did the overall rate of malformations differ significantly between former pill users and non-users nor did any specific type of malformation show an association with previous pill use. No effect—or else a slight beneficial effect—of pill use on rates of miscarriage has been observed in these studies (162, 171, 218).

What are the policy implications of both continued oral contraceptive use and continued evidence of health hazards among specific subgroups of women? On the one hand, decision makers are faced with a barrage of press and other news media publicity all too often reporting preliminary research results with little or no reference to or understanding of statistical significance, study design, or different risks for different subgroups of women. On the other hand, the need—and desire—for effective, reversible methods of contraception grows rapidly as both organized family planning programmes and the pressures of social and economic change encourage individuals and families to try to control their fertility.

On the government and policy level, those who must decide how to deal with the pressures of burgeoning population and, on the personal level, those who face the threat of unwanted fertility can have no guarantees of absolute safety with or without any method of fertility control. Certainly high fertility and rapid population growth present threats to health and well-being far greater than those of contraceptive methods measured in these medical and epidemiological studies. The most prudent course is to compare, from the medical data

TABLE X

Rates of Mortality (per 100,000 Woman-years) from Various Causes, by Oral Contraceptive Use, in United Kingdom Cohort Studies, 1965-77

Cause of death	Royal College Study					Oxford/FPA Study				
	Ever users		Never users		Rate ratio (users/never users)	OC users at entry		Diaphragm & IUD users		Rate ratio (OC users/others)
	Rate	No.	Rate	No.		Rate	No.	Rate	No.	
All neoplasia										
All cancers	15.8	14	21.1	20	0.8	21.6	10	28.3	12	0.8
All circulatory disease	25.8	24	5.5	5	4.7**	13.6*	7*	0	0	—
Nonrheumatic heart disease and hypertension	10.4	11	2.5	2	4.0*	9.8	5	0	0	—
Cerebrovascular disease	13.2	10	2.8	3	4.7*	3.8	2	0	0	—
Accidents and violence	17.1	16	10.0	9	1.7	3.4	2	6.8	2	0.5
Other causes	3.0	2	7.8	9	0.4	11.1	5	6.8	3	1.6
Total†	58.0	56	40.9	45	1.4	49.7	24	41.9	17	1.2

*$P<0{\cdot}05$ **$p<0{\cdot}01$ †Except for this category, all rates are standardized for age at entry into the study, parity, social class and smoking. Standardization causes small discrepancies between individual and total rates.

Source: Royal College of General Practitioners' Oral Contraception Study (169); Vessey et al. (215)

available, the relative risks of different family planning methods—including no methods whatsoever—under different conditions of development and to design programmes that attempt to provide the maximum benefits consistent with a broad range of choice and cultural acceptability.

To evaluate these risks, C. Tietze, J. Bongaarts, and B. Schearer of the Population Council have designed a computer model that stimulates reproductive events during the childbearing years of a hypothetical cohort of 100,000 nonsterile women using various family planning methods (196, 197, 198). Applying the model to developed country data and taking account of the Royal College mortality data and other recent research, Tietze suggests that for developed countries, with low rates of maternal mortality, use of OCs is very much safer than the use of no method at all (with ensuing pregnancies) for nonsmokers under 40 and somewhat safer for smokers under 30. In developed countries, after age 35 the risk of death to OC users who also smoke is about three times greater than normal childbirth and more than three times greater than the risk of OC use to non-smokers. Tietze's calculations focus attention on the synergistic effects of smoking and OC use in women over 30 in the developed countries, women who may also have other factors predisposing them to vascular disease (see Table XI).

TABLE IX

Rates of Mortality (per 100,000 Woman-years) from Circulatory System Diseases, by Age at Death, Smoking Habit at Entry into Study and Duration of OC Use, in the Royal College Cohort Study

	Ever users	Controls	Absolute difference
Age			
15-24	7.5	0	7.5
25-34	8.8	4.4	4.4
35-44	42.6	9.6	33.0
45-49	140.9	0	140.9
Smoking Habit			
Non-smokers	13.8	3.0	10.8
Smokers	39.5	8.9	30.7
Duration of OC Use in Months*			
1-59	17.5	5.2	12.3
60+	50.5	5.2	45.3

*Age standardized

Source: Royal College of General Practitioners' Oral Contraception Study (169)

Overall, in developed countries the safest approach for any couple now seems to be using the diaphragm or condom combined with legal abortion in cases of failure and choosing voluntary sterilization after desired family size has been reached. Of course, legal, safe abortion is not available in many countries, and beyond the financial means of some women even where it is legal. Furthermore, many women find traditional methods so difficult or distasteful to use that they prefer orals even if the risk is somewhat greater.

Tietze's methodology has been applied to the developing countries by M. Potts, J.J. Speidel and E. Kessel (146). They compare mortality rates for different methods and method combinations in moderately developed countries, such as Taiwan and Korea (LDCA), and in the least developed areas, such as Matlab Thana in Bangladesh (LCDB) (see Table XII). In so doing, they make a number of assumptions: for example, that fecundability is the same in developed and developing countries but that an 8-month longer period of lactational amenorrhea follows childbirth in developing countries; that maternal mortality in Korea and Taiwan is

TABLE XI

Annual Number of Birth-Related, Method-Related and Total Deaths, by Method of Fertility Control, in a Hypothetical Cohort of 100,000 US Women

Regimen	Age in years					
	15-19	20-24	25-29	30-34	35-39	40-44
No control						
Birth-related	5.3	5.8	7.2	12.7	20.8	21.6
Abortion only						
Method-related	1.0	1.9	2.4	2.3	2.9	1.7
OCs only/nonsmokers						
Birth-related	0.1	0.2	0.2	0.4	0.6	0.4
Method-related	0.6	1.1	1.6	3.0	9.1	17.7
Total deaths	0.7	1.3	1.8	3.4	9.7	18.1
OCs only/smokers						
Birth-related	0.1	0.2	0.2	0.4	0.6	0.4
Method-related	2.1	4.2	6.1	11.8	31.3	60.9
Total deaths	2.2	4.4	6.3	12.2	31.9	61.3
IUDs only						
Birth-related	0.1	0.2	0.2	0.4	0.6	0.4
Method-related	0.8	0.8	1.0	1.0	1.4	1.4
Total deaths	0.9	1.0	1.2	1.4	2.0	1.8
Barrier methods only						
Birth-related	1.1	1.5	1.9	3.3	5.0	4.0
Barrier methods, plus abortion						
Method-related	0.1	0.3	0.4	0.4	0.4	0.2

Source : Tietze and Lewit (199)

representative of rates for middle-income developing countries and, in Bangladesh, for poorer developing countries; that abortion mortality is twice as high in middle-income countries and five times as high in low-income developing countries as in the United States; that use-effectiveness of all methods except IUDs is slightly lower in developing countries; that method-related risks from IUDs and sterilization are two to five times higher in developing countries; and that risks of circulatory disease are lower.

Although Table XI was prepared before the results of the Royal College study were published, it provides a reasonable comparative guide to the relative hazards of different methods within developed and developing countries. As would be expected, wherever high maternal mortality prevails, the comparative risk of oral contraceptive use is low. For all women in developing countries up to age 40, oral contraceptive use is substantially safer than no use of family planning at all. Even above age 40, in the least developed areas, OCs are safer than pregnancy. Overall, in developing countries as in developed ones, legal abortion used as a backup for condoms or a diaphragm is safer by an order or more of magnitude than any alternative or combination thereof. Tubectomy mortality, measured as posing a hazard only in the year that the procedure is performed, is in the same range of risk as pregnancy for women over 30 in all but the least developed countries, where it is much less dangerous. For a 35-year-old woman who would gain from tubec-

TABLE

Annual Number of Live Births, Birth Associated Deaths, and Deaths Associated with Fertility Control
Age and Development

Method and outcome	15-19			20-24			25-29		
	DC	LDCA	LDCB	DC	LDCA	LDCB	DC	LDCA	LDCB
No control									
Live births	50,770	41,440	41,400	61,400	45,940	45,940	59,290	43,170	43,170
Birth-associated deaths	5.6	8.3	290.0	6.1	9.2	183.8	7.4	10.8	215.9
Abortion									
Induced abortions	99,502	99,502	99,502	133,664	133,664	133,664	132,041	132,041	132,041
Abortion-associated deaths	1.2	2.4	6.0	1.6	3.2	8.0	1.6	3.2	7.9
Oral contraceptives (without predisposing conditions)									
Live births	1,150	1,590	1,590	1,940	2,650	2,650	1,910	2,600	2,600
Birth-associated deaths	0.1	0.3	11.1	0.2	0.5	10.6	0.2	0.7	13.0
Method-associated deaths	1.2	0.8	0.8	1.2	0.8	0.8	1.2	0.8	0.8
Total deaths	1.3	1.1	11.9	1.4	1.3	11.4	1.4	1.5	13.8
Oral contraceptives (with predisposing conditions)									
Method-associated deaths	1.4	1.0	1.0	1.4	1.0	1.0	1.4	1.0	1.0
Total deaths	1.5	1.3	12.1	1.6	1.6	11.6	1.6	1.7	14.0
Intrauterine devices									
Live births	1,150	1,140	1,140	1,940	1,920	1,920	1,910	1,890	1,890
Birth-associated deaths	0.1	0.2	8.0	0.2	0.4	7.7	0.2	0.5	9.5
Method-associated deaths	0.5	1.0	1.5	0.5	1.0	1.5	0.5	1.0	1.5
Total deaths	0.6	1.2	9.5	0.7	1.4	9.2	0.7	1.5	11.0
Traditional contraception									
Live births	5,860	7,580	7,580	9,500	11,660	11,660	9,330	11,300	11,300
Birth-associated deaths	0.6	1.5	53.0	0.9	2.3	46.6	1.2	2.8	56.5
Traditional contraception and abortion									
Induced abortions	7,564	10,273	10,273	11,444	15,483	15,483	11,332	15,317	15,317
Abortion-associated deaths	0.1	0.2	0.6	0.1	0.4	0.9	0.1	0.4	0.9
Tubectomy									
Live births				0	100	100	0	100	100
Birth-associated deaths				0	0	0.4	0	0	0.5
Method-associated deaths*				0.5	0.9	2.3	0.6	1.2	3.0

tomy ten years of protection, the onetime risk of tubectomy spread over ten years may be lower than that of orals. In other words, for the great majority of developing country women under 40, OCs are safer than no method or traditional methods, about as safe as IUDs, and not quite as safe as sterilization or as traditional methods backed by legal abortion performed by trained practitioners.

The fact remains that despite some plateauing of oral contraceptive use in developed countries, due largely to a worldwide surge of interest in sterilization, especially among older couples, oral contraceptives remain the most popular reversible method of effective contraception. This is a testament to the benefits of the pill—benefits not easily weighed in the balance of medical judgements and epidemiologic studies—and to the fact that, for millions of women, those benefits outweigh the well-publicized but relatively small risks. The late Frederick S. Jaffe, president of the Alan Guttmacher Institute, summarized how individuals benefit from using oral contraceptives and put those benefits in context :

> The pill has two advantages that differentiate it sharply from most other methods:
>
> In the first place, it is the most effective method of preventing pregnancy currently available: as Norman Ryder's studies have shown, IUDs have a standardized 12-month failure rate two times greater than the pill, condoms three times, diaphragms four times and foam, rhythm, and douche more than five times.
>
> Secondly, because the pill is coitally independent, it makes possible a greater degree of freedom and spontaneity in sexual relations than methods that need to be applied at the time of intercourse.
>
> Medical risk does not take into account at least two aspects of the contraceptive experience that users evidently find salient: efficacy in preventing unwanted pregnancy and facilitation of more satisfactory sexual relations. Accurate information about these factors should also be widely disseminated and incorporated into the framework for assessment of risks and benefits.
>
> Implicit in the medical-risk framework is the assumption that other methods of contraception could be substituted, thus rendering the risks from the pill unnecessary. This assumption is true for some persons, but not for all. . . .(87)

Increasing use of the pill in developing countries suggests that women there, like those in the developed world, appreciate the combination of effectiveness and independence from coitus that oral contraceptives provide. Under the circumstances and conditions many women face in developing countries, these benefits may be very important.

XII

per 100,000 Nonsterile Women, by Method of Fertility Control, of Country

Age group/Country type								
30-34			35-39			40-44		
DC	LDCA	LDCB	DC	LDCA	LDCB	DC	LDCA	LDCB
55,730	39,930	39,930	47,700	34,210	34,210	31,680	23,940	23,940
13.8	20.0	199.7	21.0	34.2	171.0	22.6	35.9	191.5
127,278	127,278	127,278	106,209	106,209	106,209	64,779	64,778	64,778
2.0	4.0	10.1	1.7	3.4	8.5	1.5	3.0	7.4
1,770	2,410	2,410	1,350	1,840	1,840	650	890	890
0.4	1.2	12.0	0.6	1.8	9.2	0.5	1.3	7.1
1.9	1.3	1.3	4.0	3.0	3.0	7.3	5.5	5.5
2.3	2.5	13.3	4.6	4.8	12.2	7.8	6.8	12.6
11.4	6.0	6.0	28.8	13.0	13.0	103.8	63.0	63.0
11.8	7.2	18.0	29.4	14.8	22.2	104.3	64.3	70.1
1,770	1,750	1,750	1,350	1,330	1,330	650	640	640
0.4	0.9	8.7	0.6	1.3	6.6	0.5	1.0	5.1
0.8	1.5	2.3	1.0	2.0	2.0	1.0	2.0	3.0
1.2	2.4	11.0	1.6	3.3	9.6	1.5	3.0	8.1
8,670	10,460	10,460	6,700	8,150	8,150	3,330	4,210	4,210
2.2	5.2	52.3	2.9	8.1	40.8	2.4	6.3	33.7
10,913	14,764	14,764	8,650	11,721	11,721	4,608	6,271	6,271
0.2	0.5	1.2	0.1	0.4	0.9	0.1	0.3	0.7
0	90	90	0	70	70	0	30	30
0	0	0.4	0	0	0.4	0	0	0.2
0.9	1.7	4.4	2.3	4.6	11.5	13.3	26.7	66.7

DC=Developed countries; LDCA=Less-developed countries type A; LDCB=Less-developed countries type B *Mortality during the year of procedure divided by remaining years of fertility

Source : Adapted from Potts et al. (146).

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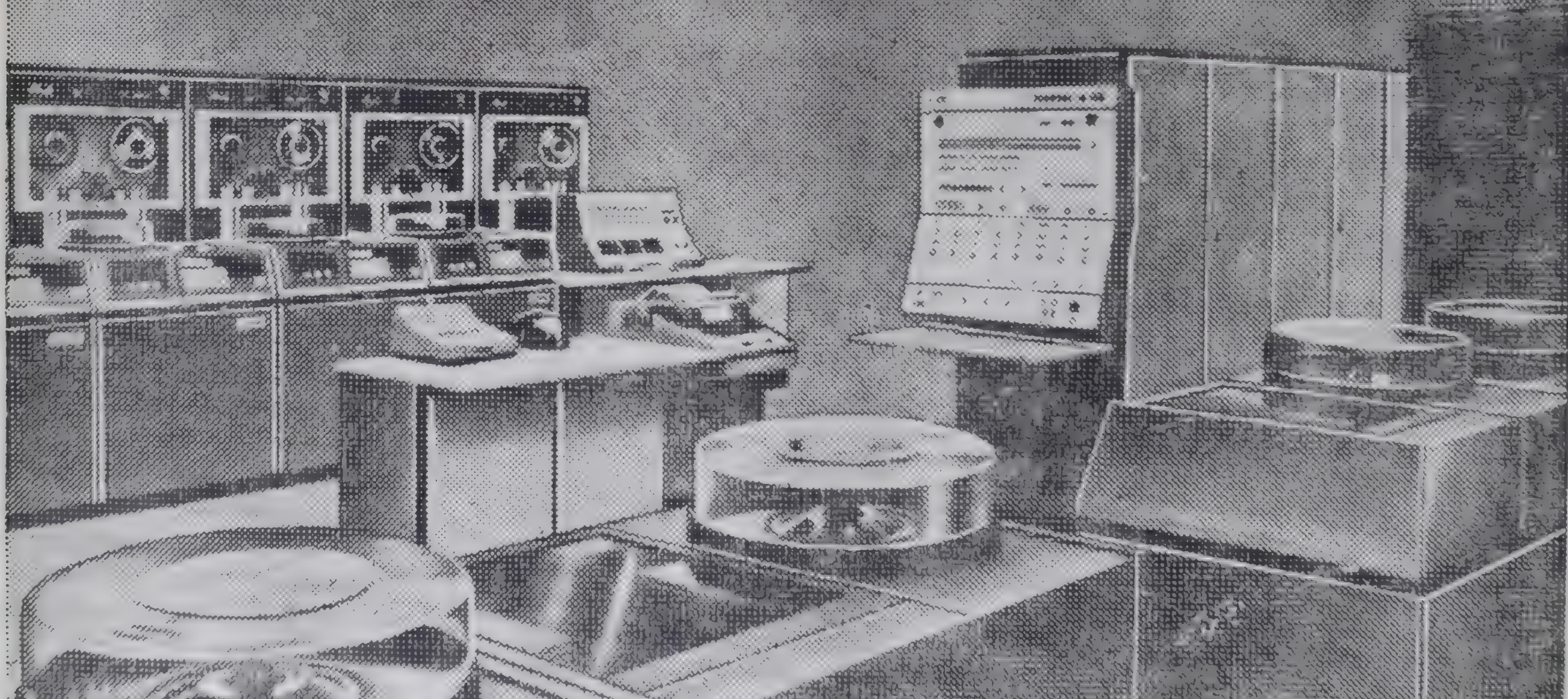

TRADE WINDS

Blanket Exchange Permits

THE RESERVE Bank has clarified that multi-unit export firms can avail of the facility of blanket exchange permits at different centres where units of the firm are functioning. Subsidiary blanket permits will be issued to the concerned units by corresponding reduction in the main blanket permit issued to the head office. This has been done with a view to facilitating travel by sales and technical representatives attached to the units located in the different parts of the country away from the head or controlling office. Multi-unit export firms interested in availing of the facility may approach the office of the Reserve Bank which has issued the blanket permit indicating the office at which they want to avail of the subsidiary blanket permit facility, and the amount of foreign exchange allocation required to be made to the unit.

Hitherto blanket permits were issued only to head offices of the eligible exporters both under the RBI Scheme as well as the ITC Scheme.

Company Offices Abroad

With a view to expediting disposal of applications for opening offices or stationing representatives abroad by Indian companies/firms, the Reserve Bank has introduced with effect from May 17, 1979 a new procedure under which applications in the prescribed form may be forwarded, in duplicate completed in all respects, direct to the bank's central office at the following address. The Controller, Exchange Control Department, Reserve Bank of India, Central Office, PB No 1055, Bombay-400001. A copy of the application should, however, be forwarded simultaneously to the bank's regional office under whose jurisdiction the applicant's head office is situated. Applications for renewal of the facility may continue to be submitted to the respective regional office of the Bank.

Panel to Review LIC Working

The deputy prime minister (F), Mr Charan Singh, announced the appointment of a committee to review the working of Life Insurance Corporation of India. The last independent reviews of the corporation were made a decade ago, by the Administrative Reforms Commission which reported in December, 1968, and the Morarka Committee which reported in April, 1969. The government has, therefore, decided to appoint a high level committee to review the corporation's working in all major aspects and to suggest measures for improvement. The committee will be headed by Mr Era Sezhiyan, member, Rajya Sabha. The other members of the committee are: (1) Prof V. M. Dandekar, Director, Gokhale Institute of Politics & Economics, Poona, and Director, Indian School of Political Economy, Lonawala. (2) Mr A. Rajagopalan, former Chairman of the General Insurance Corporation of India, Bombay. (3) Dr S. K. Chakravarty, Professor of Financial Management, Indian Institute of Management. Calcutta. (4) Dr D. P. Singh, Vice-chancellor, Rajendra Agricultural University, Patna, Bihar (5) Mr R. M. Mehta, former Managing Director, Life Insurance Corporation of India, Bombay. (6) Mr S. Ramanathan, Additional Secretary, ministry of Finance, New Delhi. Mr A. Srinivasan, Executive Director, Life Insurance Corporation of India will be the Secretary of the committee.

Terms of Reference

The terms of reference of the committee would be as follows: (a) Review the progress of life insurance since nationalisation, to assess the potential for its growth, particularly in the rural areas and to suggest steps for accelerating the development of the business; (b) Examine the organisation of the corporation at different levels inculding the set up of the field force and to suggest such changes as may lead to greater efficiency and economy in operations; (c) Recommend measures for improving the quality of service to policyholders; (d) Examine the existing pattern of investment of the life fund and to suggest such changes, as may be considered necessary, for improving the return on the investments consistent with the safety of the capital and the national priorities; and (e) Make any other recommendations which will contribute to more effective management of life insurance business. The committee will be required to submit its report within six months. The government hopes that as a result of the study by the high level committee, it would be possible to effect substantial improvement in the working of the Life Insurance Corporation.

Reconstituted Parliament Committees

Dr Bapu Kaldate, member of Lok Sabha, has been appointed as the chairman of the newly elected parliament Committee on Public Undertakings in the place of Mr Jyotirmoy Bosu. The speaker has also appointed Mr T. A. Pai, former minister of Industry, as the chairman of the Public Accounts Committee in place of Mr R. V. Narasimha Rao. They will hold the term until April 30, 1980.

The new members of the Committee on Public Undertakings are: M/s Arjun Singh Bhadoria, Dilip Chakravarty, K. S. Chavda, L. K. Doley, Bapu Kaldate, Jagdish Prasad Mathur, Vayalar Ravi, A. K. Saha, P. M. Sayeed, Rajendra Kumar Sharma, Ram Dhari Shastri, Sukhendra Singh, Kommareddi Surayanarayana, Jagannath Prasad Swatantra and C. Venugopal from Lok Sabha and Sadashiv Bagaitkar, K. N. Dhulap, H. B. Mahida, Murasoli Maran, Narendra Singh, Sultan Singh and Rafiq Zakaria from Rajya Sabha.

The new members of the Public Accounts Committee are: M/s R.D. Gattani, V. G. Hande, Dinesh Joarder, Vijay Kumar Malhotra, T. A. Pai, Bapusaheb Parulekar, Ratansinh Rajda, Ramapati Singh, Ramjiwan Singh, P. V. Narasimha Rao, Sougata Roy, Daulat Ram Saran, Ramanand Tiwari, Ugrasen and R.

Venkataraman from Lok Sabha and M/s M. Anandam, Sitaram Kesri, Bhai Mahavir, Purabi Mukhopadhyay, Kalp Nath Rai, B. Satyanarayan Reddy and Gian Chan Totu from Rajya Sabha.

Dandekar Committee on Taxation

The deputy prime minister & Finance minister, Mr Charan Singh, announced the setting up of a committee headed by Prof V. M. Dandekar of the Gokhale Institute to go into the tax reforms, particularly in corporation and excise taxes intended to encourage labour intensive methods of production. The committee will also examine the impact of these provisions on employment and techniques of production in industry, agriculture and other areas of economic activity and submit its report within four months. The appointment of a committee to study the impact of concessions in the tax laws on the techniques of production was announced in the last budget speech.

The other members of the committee are: Dr A. Vaidyanathan Centre for Development Studies, Trivandrum, Dr Anand P. Gupta of the Indian Institute of Management, Ahmedabad, Mr L. C. Jain, Chairman, All India Handicrafts Board and Dr A. Bagchi, Director in the Fiscal Policy section of the department of Economic Affairs, who will be the member secretary. The Finance minister stated that it was for the first time since independence that a study of the tax laws was being undertaken with the special purpose of promoting employment. He stated that the findings of the committee will be of great help in framing the budget proposals in the coming year and reorienting the tax laws so as to enlarge the opportunities for employment.

Microfiche Camera

The National Remote Sensing Agency (NRSA) has developed a 'Microfiche Camera' to store the remotely sensed data obtained for the survey of natural resources. The Microfiche Camera makes it possible to store a large amount of technical and business information in the form of photographs of greatly reduced size. It has been designed to accommodate 145 mm into 105 mm sheet film to store 20 formats of micro images on it. The originals to be photographed can be either in transparency mode or in opaque mode A3, A4 and A5 sizes.

Electronic Watches

The policy for electronic watches announced on May 18 in Lok Sabha entrusts the marketing and import of basic components to two public sector units. While the Hindustant Machine Tools will do all marketing and servicing for the domestic market, the Electronics Trade and Technology Development Corporation will be the canalising agency for the import of basic electronic components. For the assembly of watch modules or even complete electronic watches, the production by HMT will, however, be the minimum required for technical and economic viability. For the rest of its sale requirements, HMT will depend on existing assemblers of electronic watches, new small-scale units and state electronics development corporations.

While the four basic electronic components for the electronic watches, viz the large scale integrated semi-conductor circuit, the display and the special quartz watch crystal and the special battery will have to be imported in the initial stages, the case in which the module is enclosed and the mechanical piece parts involved in the finished watch should be made indigenously from the beginning. The small-scale sector can capably assist in the area relating to manufacture of cases and mechanical parts. The industrial structure for watch production needs to be organised in a way to ensure precision and quality at a low cost. The government has also decided that the Electronic Trade and Technology Development Corporation will be the single agency to import basic electronic components to ensure uniformity in terms of technical specifications. EFTDC will sell the components to HMT, the existing electronic watch manufacturing units, small-scale units and SEDCs.

Cement Production

Cement production and utilisation of capacity by cement plants have reached record levels during 1978-79. The installed capacity in the cement industry during the year increased by 1.13 million tonnes, from 21.87 to 23.00 million tonnes, production rose from 19.28 million tonnes in 1977-78 to 19.60 million tonnes in 1978-79. The capacity utilisation during 1978-79 was nearly 90 per cent. This information was given by Mr George Fernandes, central minister of Industry in Lok Sabha recently. He added that as against only seven letters of intent and 11 industrial licences, for a total capacity of 8.46 million tonnes, issued during the preceding three years, as many as 35 letters of intent and seven industrial licences for a total capacity of 15.05 million tonnes had been issued during

estimated that during the cu
rent financial year, the instal
ed capacity in the ceme
industry would go up by a
other 4.63 million tonne
Cement capacity and produ
tion were expected to be doub
ed during the sixth plan.

Referring to the reporte
inadequate quota of cemen
allowed to the states, th
minister said that in spite o
a record production of cemen
demand had outstripped suppl
on account of a phenomena
spurt in construction activitie
in irrigation, power, industr
and housing. It had, therefore
not been possible to meet th

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demands of the states and the central government departments in full. The government had taken steps to increase the availability of cement by banning exports (except to Nepal) and by arranging for import of 1.5 million tonnes of cement in 1978-79 and about two million tonnes in 1979-80, the minister added.

Important Measures

The minister enlisted both short-term and longterm, measures, taken by the government to improve cement production and availability. These included: (i) States have been advised to take over public distribution of cement and arrange for statutory licensing, and direct appointment of stockists, issues of permits to consumers, setting up of administrative machinery for proper distribution and involvement of voluntary agencies; (ii) The full requirements of irrigation and power projects are being met by prior reservation; (iii) Existing rules relating to freight reimbersement for road movement have been liberalised; (iv) Government has also granted assistance to the cement industry for use of captive power for production of cement during the periods of power cuts; (v) Government has approved the proposal to assist the cement industry for the use of furnace oil for production of cement due to inadequate supplies of coal; (vl) The production of existing units is also closely monitored to see that the industry maintains an overall capacity utilisation of 100 per cent; (vii) The import of pre-calcinator technology has been permitted to enable the increase in production; (viii) The construction of on-going projects is being expedited; (ix) The government has also decided to encourage the setting up of cement plants at the site of or near steel plants to utilize the slag; (x) The government also proposes to encourage the setting up of a large number of mini cement plants; (xi) A high level committee has made a comprehensive study of the cement industry and has made a number of recommendations. Government decisions on prices and incentives have been announced on May 3, 1979; (xii) The present regional imbalances in regard to distribution of cement in the country has been due to location of cement plants near limestone deposits. This imbalance is sought to be minimised by encouraging split location of cement plants. (xiii) A cabinet sub-committee is currently considering the various measures adopted for conservation of cement. Conservation of cement is sought to be achieved by using substitute materials such as hydrated lime, paddy husk, cement, sagal, lime mortar etc.

Indo-Soviet Cooperation

An official delegation led by the additional secretary, department of Mines, Mr R. Ganapati, left on May 14, for Moscow to hold wideranging talks on Indo-Soviet cooperation in non-ferrous metallurgy. The three-member delegation, which includes representatives of the Bharat Aluminium Company and the Hindustan Copper Limited, is expected to have specific discussions on the east coast alumina project and the proposal for setting up a nicket and cobalt plant at Sukhinda.

In the case of the nickel-bearing ore deposits at Sukhinda, the entire issue of whether Soviet technology would be viable for exploiting these will be examined. According to latest expert studies, it may not be possible to utilise Soviet technology for extraction of cobalt and nickel from these deposits in view of the specific nature of the ores in this region.

The Soviet authorities had been asked to prepare a detailed feasibility report on the alumina plant to be set up in Andhra Pradesh on the basis of production coopreation. Other areas for discussion would include the working out of methods of complex polymetallic, ores beneficiation for optimum exploitation of mineral deposits, as well as early completion of the Korba aluminium plant.

Pound Revalued

The value of the Indian rupee against pound sterling has been revised upwards by 1.48 per cent effective from May 15. The Reserve Bank has fixed the middle rate of Rs 16.90 per pound against the earlier Rs 17.15 per pound. The new rates for the purchase and sale of pound sterling for spot delivery are: selling £5.8997 per Rs 100 (corresponding to Rs 16.95 per pound); buying £5.9347 per Rs 100 (corresponding to Rs 16.85 per pound).

RBI will continue to buy forward sterling for delivery up to nine months on a monthly option basis.

The Reserve Bank announced on May 15 that it will continue to purchase the US dollars, the deutsche mark and the Japanese yen both spot and forward for periods up to 12 months on a monthly option basis in the case of US dollars and up to six months in the case of DM and yen as before at rates determined on the basis of the London market cross rates.

This is the first revaluation of the rupee against the pound sterling after three successive devaluation on December 20, 1978, March 13 and April 9, 1979, The last revaluation of the rupee had been done in November.

Rupee-Dollar Rate

On May 18 the Reserve Bank announced the revision of the rates for buying and selling US dallor currency notes by banks and money changers from tourists and the public. The new rates fixed by the RBI are: buying Rs 8 and selling Rs 8.40 per US dollar. This is the second revision of the US dollar rates within the last three days. In the RBI revision on May 15 the US dollar had become costlier by ten paise.

GIIC

During the month of May, 1979, Gujarat Industrial Investment Coporation (GIIC) has sanctioned total financial assistance of Rs 101.55 lakhs to three industrial units including a new project coming up at Ankleshwar — a notified backward area — to manufacture 120 pieces of eombers and 30 pieces of lap farmers per annum in foreign collaboration with Messrs Fratelli Marzoli SPA & Co, Italy. The project has received Rs 52.60 lakhs of financial assistance and is estimated to cost about Rs 167 lakhs. One existing unit coming up at Bamanbore, Surendranagar — a notified backward area — to manufacture toilet soap and glycerine has received additional finance of Rs 30.95 lakhs. The financial assistance will help the project meeting overrun and expansion to manufacture hard oil. Another existing unit at Kathwada, Ahmedabad has received Rs 18 lakhs worth of term loan. The assistance will be utilised for expanding their balancing equipment facilities having capacities of 500 tonnes per annum to be increased to 625 tonnes per annum in the production of polyvinyl alchhol,

Internationl Wheat Pact

The government has decided to agree to the extension of the international wheat agreement by another two years, till June 30, 1981 or till a new agreement is negotiated, whichever is earlier. The extension of the present agreement was necessitated following disagreement between the developing and developed countries on the rates at which wheat should be purchased under this arrangement. While the developing countries favour a price of $80 to $160 a tonne, the developed countries sought a priee of $140 to $220 per tonne.

Woollen Exports

There is a huge export potential of army software to west Asian countries. The total volume of trade for army software in this region is Rs 250 crores, of which India can bag about Rs 50 crores by sustained efforts. This was stated recently by the chairman of the Wool and Woollens Export Promotion Council, Mr P.L. Rahi. He told newsmen that Indian products were, however, outpriced in this market by other major competitors such as China, Taiwan, South Korea, Romania and Poland. In this context, he said there was need for exemption of import duty on raw wool as well as a ban on export of sheep to west Asia.

Referring to carpet exports, Mr Rahi said unless import duty on raw wool and semi-worsted yarn was eliminated, it would be difficult to compete with countries such as Pakistan and China which were edging India out of the market. There was a huge vacuum left in the carpet trade since exports to the tune of Rs 250 crore were no longer available from Iran.

Although drawback was available for import duty on wool, owing to procedural difficulties this took about a year to be received. There was great scope also for export of woollen readymade garments to the Gulf countries, which would also serve to provide greater employment potential since the readymade garments industry was labour-intensive, added Mr Rahi.

New Board for Mohali Conductor Complex

The government has constituted a board of directors for the Semi-Conductor Complex Limited, Mohali in Punjab. Mr S.P. Chatterji of the National Instruments Limited has been appointed the chairman-cum-managing director. The other members of the board are Prof P.R. Nag, Centre for Advanced Study in Radio, Physics and Electronics, University of Calcutta; Mr Virendra Mohan, managing director, Punjab Semi-conductors Ltd; Mr N. Sivasubramanian, joint secretary, department of Electronics; Mr A.V. Ganesan, joint secretary, department of Economic Affairs and Dr Vijay L. Kelkar, economic adviser, ministry of Commerce. The term of the board is for one year.

Sugar Releases

The steering committee for sugar releases has released a quota of 475,000 tonnes for sale and despatch during the month of June, effective for delivery from June 1, to June 30, 1979.

Monopoly Procurement of Jute

The government is to introduce a system of monopoly procurement of jute from next year. Pending the introduction of this, it has been decided that jute procurement target for the next season 1979-80 should be of the order of between 2.5 million bales and 2.7 million bales against the normal level of 8.3 lakh bales. These decisions were taken on May 14, at a special meeting of the jute producing states convened by the Industry minister, Mr George Fernandes. By a consensus the meeting resolved that monopoly procurement of jute was the most effective instrument to protect t interests of growers an prevent speculation in raw jute trade.

Mr Fernandes emphasised the urgency of undertaking monopoly procurement at least by 1980-81. He said unless substantially high targets were set for 1979-80, it would be difficult to bridge the gap next year. The meeting was also

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BHARAT GEARS LIMITED

NOTICE

It is hereby notified for the information of the public Bharat Gears Limited proposes to give to the Central Government in the Department of Company Affairs, New Delhi a notice under sub-section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for substantial expansion of its activities. Brief particulars of the proposal are as under:

(1) Name of the body corporate owning the undertaking: BHARAT GEARS LIMITED.

(2) Capital structure of the applicant undertaking (as on 14th May, 1979):-

Authorised capital: Rs 2.50 crores consisting of 20 lacs equity shares of Rs 10/- each and 50,000 Preference Shares of Rs 100/- each. Issued and subscribed capital Rs 2,21,04,680 consisting of 19,10,468 equity shares of Rs 10/- each fully called up less calls unpaid (Rs 20,500) and 30,000 9.5% Cumulative Redeemable Preference Shares of Rs 100/- each fully paid-up.

(3) Details of the proposed substantial expansion:

(a) Name of new goods to be produced, supplied controlle or distributed or of new services to be rendered:

Manufacture of Forgings with an installed capacity o 3,000 tonnes per annum.

(b) In the case of substantial expansion of existing activities:

Not applicable.

Any person interested in the matter may make representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, Dr Rajendra Prasad Road, New Delhi, under advice to the Company within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

Regd. Office:
B-82, Himalaya House
23 Kasturba Gandhi Marg
New Delhi-110001

For and on behalf of
BHARAT GEARS LIMITED
S. S. Gulati
Secretary

NEW DELHI
Dated this 14th day of May, 1979

attended by the Commerce minister, Mr Mohan Dharia. The meeting agreed to have producer-oriented policy in jute procurement. All these years the growers had been at the mercy of the traders, but with the entry of the Jute Corporation of India in the last two years, there has been a definite improvement in the actual price that the growers received.

In pursuance of the consensus to increase the procurement of jute, West Bengal agreed to raise its target of procurement in the state to eight lakh bales through the cooperatives and seven lakh bales by the Jute Corporation of India. Likewise Bihar agreed to procure five lakh bales and Andhra Pradesh also indicated its willingness to procure 43 per cent of the total crop in the state. This compares quite favourably with the maximum procurement so far of about 8.3 lakh bales for a single year.

Awards for BHEL and Interads

Bharat Heavy Electricals Ltd. (BHEL) was presented an award by the International Society for Development of Organisation (SIDO), Malaysia, for development of new concepts in management of human resources. The award was received by Mr R.N. Srivastava, BHEL director (personnel), from Prof Peter Shephard, executive director of SIDO.

Interads Advertising has bagged Rapa award for their radio sponsored programme "Punseed di Batthak" for the year 1978. Rapa is an all-India award for the best radio and television advertising programme.

Names in the News

Dr Narasimha Sreenivasa Iyengar, senior research professor at the Bangalore centre of the Indian Statistical Institute, has been selected for the 1978 Mahalanobis Award. He is to deliver the Mohalanobis Memorial Lecture at the annual conference of the Indian Econometric Society at Srinagar on May 24.

The government has reappointed **Mr J.N. Saxena**, managing director of the Industrial Development Bank of India, till June 30, 1979.

Mr H.M. Jhala was sworn-in as member of the Monopolies and Restrictive Trade Practices Commission by the chairman of the commission on May 14, 1979. Mr Jhala has been re-appointed as a member of the commission for a further period from May 14, 1979 to August 6, 1983,

Mr S.G. Subrahmanyan, till recently working as zonal manager, LIC—north zone, Dehi, has taken over as Executive Director (Development and Marketing) at the central office, Bombay. He started his insurance career in 1946 with the erstwhile-unit 'Bombay Life Assurance Co' at Bombay.

Mr Manmohan Singh, chairman and managing director of Frick India Limited has been elected vice president of the Association of Indian Engineering Industry (AIEI) for the year 1979-80. He is also on the working committees of the Engineering Export Promotion Council, Punjab, Haryana and Delhi Chamber of Commerce, and All India Manufacturers Association.

Mr Bharat Hari Singhania, a leading industrialist has been elected president of the Indian Chamber of Commerce for the year 1979-80. He is director of a number of industrial concerns, notably the J.K. Organisation, a leading industrial group. Mr Singhania has served as the chairman of various associations and has held important positions in government bodies.

Mr Bharat Hari Singhania

Dr H.S. Rao has taken over as general manager, National Research Development Corporation of India. Before joining this corporation, Dr Rao was head of division in the research development centre of the Indian Oil Corporation Ltd, Faridabad (1972-79) and prior to that assistant director in the Central Fuel Research Institute (CSIR), Dhanbad.

Mr K.G.K. Murthy, general manager, Andhra Bank, has been deputed by the bank to undergo a senior management course with the international division of Barclays Bank International Ltd, London.

Mr Ramdas Kilachand has been elected president of the Bombay Oilseeds and Oils Exchange Ltd for the current year.

Mr D.J. Sen Gupta has assumed charge as general manager of Bank of Baroda at the central office in Bomay. Till recently he was deputy general manager, UK and Ethiopean Operations in London.

Mr Ayaz S. Peerbhoy, founder and managing director of Marketing Advertising Associates Private Ltd has been elected chaitman of the board. He will also continue to be the managing director. He takes over the chairmanship from Mr F.A. Fazalbhoy who retired from the board.

Mr Sanat Lahiri, has taken over as president of the International Public Relations Association (IPRA). He will preside over the 8th Public Relations World Congress to be held in London from May 22 to May 25. Prince Philip, Duke of Edinburgh is the patron of the congress which will be attended by over 1,000 delegates from some 50 countries.

LAKSHMI MACHINE WORKS LIMITED

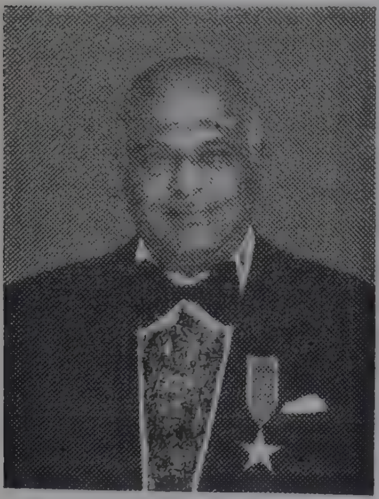
Registered Office :
Perianaickenpalayam, SRKV Post, Coimbatore - 641020

Speech Delivered By Sri G. K. Devarajulu, Chairman at the 16th Annual General Meeting of the Company on 17th May, 1979

Ladies and Gentlemen,

It is my pleasure to welcome you to the 16th Annual General Meeting of your Company. I am thankful to all of you for your participation in the Meeting which shows your continued interest in the working of your Company.

Before I take up the business of this Meeting, it is my painful duty to inform you of the sudden and untimely demise of one of our Directors viz., Sri M.M. Muthiah, who had been a Director in your Company for the last 11 years. Sri Muthiah had been an efficient and cost conscious Director and we record his services to the industry in South India in general and your Company in particular.



Sri. G. K. Devarajulu

The Annual Report containing the Balance Sheet and the Audited Accounts has been with you for some time and I trust you would have noted with satisfaction the Company's performance. It is gratifying to note that our production has been higher unlike in the previous year, resulting in better profits which has enabled the recommendation of a 14% dividend for the year under review.

Effect of the Budgetary Proposals:

Now I would like to make a brief reference to the recent Budgetary Proposals of the Government of India. While providing a few concessions to farm and small scale sector, the Budget seems to have ignored the growth of the corporate sector, which forms the base of a developing economy. In recent years there has been a trend to reduce the corporate tax for stepping up the rate of growth of the industry and development of the economy. The recent budget proposals signify the reversal of the above trends which will very much affect the industrial climate. The increase in the cost of basic raw-materials which is already felt subsequent to the Budget proposals and the increase in the cost of transportation will substantially reduce the Company's earnings. Further I may add that the present shortage of steel, cement and certain other industrial raw-materials may lead to bottlenecks in production which may once again give rise to inflationary trend.

Textile Machinery Industry:

The year 1978 has been a good year for the textile machinery industry in the country with a record production of above Rs 120 crores. This is nearly 34% over the output of Rs 89 crores in 1977-78. The reasons for the improvement in the textile machinery production are mainly due to better conditions that prevail in the textile industry and improvement in the utilisation of Soft Loan Scheme by the textile industry. The improved profitability of the textile industry has permitted them to undertake modernisation and expansion which had been kept in abeyance during the last few years due to continued recession. The momentum gathered last year is being maintained during the current year also.

However, the textile machinery industry has not yet reached the optimum level of production and there is still some idle capacity. To overcome this problem I would request the authorities to continue the Soft Loan Scheme for the purposes of modernisation for longer period, so that the textile industry can benefit by the development of technology and put in a position to compete with other countries. There was a lot of uncertainty in the conditions governing the Soft Loan Scheme in the past. The conditions were very stringent in the beginning and later some of the conditions were relaxed to encourage the industry to utilise the Soft Loan and afterwards there are some indications that the conditions are being tightened once again. It is very necessary that this type of uncertainty should be removed so that borrowers will be sure of their commitments and the conditions governing the borrowals, to enable them to plan ahead.

Performance:

Your Company has been making steady progress and the results for the year 1978 has been very encouraging. The turnover has shown a significant increase and has crossed Rs 25 crores for the first time at constant prices. Better utilisation of the plant is evidenced by the appreciable net profit of Rs 206.77 lakhs. The progress is maintained this year also. Though there so far your Company has maintained the production with available diesel.

The prosperity of the Textile Industry is the Prosperity of this Industry. In spite of the great demand for quality textile machinery, your Company has not revised the prices of the textile machinery from July 1975 onwards. Even though we could have realised much better prices because of the quality of our products, we did not do so in view of the continued recession in the textile industry. Your Company did not take advantage of a good order book to revise the prices, as this step would have increased the cost of modernisation of many mills which were not in a very good financial position. However, the increase in the prices of raw materials and other products have forced us to revise the prices with effect from January 1979.

The Research and Development Wing is planning to set up a Textile Machinery Research Division which will include a spinning plant. The purpose of the plant will be to conduct studies on the working of the machinery manufactured by the Company and on import substitution. The mill will also serve the purpose of process testing for different types of cotton, synthetic and blends and to study the workload of the operatives.

Future Plan:

I am very happy to inform you that your Company has embarked on an ambitious scheme for modernisation and expansion. Detailed plans for the expansion are on hand Coimbatore Unit is under implementation.

The Company has imported one proto-type Open End Spinning Machine (40 spindles) from Czechoslovakia for trials under Indian conditions. The collaboration will be decided after the completion of the studies.

You will be glad to know that your Company has once again won the TMMA Award for outstanding performance in the field of export of Preparatory and Spinning Machinery for the year 1977-78.

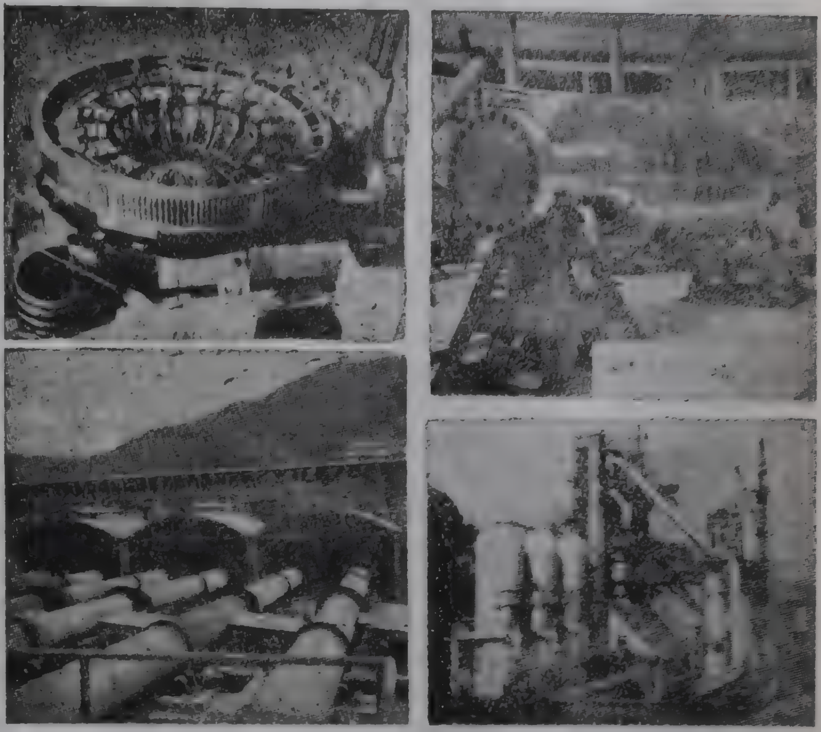
I am happy to record the co-operation extended to your Company by your collaborators M/s Rieter Machine Works Limited and M/s Schweiter Engg. Works Limited, Switzerland, and also to the selling agents M/s Voltas Limited, M/s Super Sales Agencies and other Agencies in helping the Company to sell the entire production.

In conclusion I wish to express my thanks to the employees for their co-operation and our customers for their valuable support.

My thanks are also due to my co-directors for sharing with me the burden of management and to all of you for having graced the Meeting with your presence.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

UZINEXPORTIMPORT
Foreign Trade Company



Exports:

- —Plants and complex installations for the production of equipment and installations in the field of mechanical engineering, electrical engineering and electronics, licences and manufacturing technologies, the relevant CKD.
- —Thermoelectric power plants, thermal power stations, district heating plants, hydroelectric power plants, hydromechanical equipment, the relevant individual equipment and outfits, spare parts.
- —Metallurgical and iron and steel installations.
- —Food industry installations.
- —Cement lines, various individual equipment and outfits, spare parts.
- —Studies, designs, know-how, engineering, production lines technologies for the above mentioned erection, technical assistance, training and other services related to the above lines, factories and plants.

uzinexportimport
Foreign Trade Company
Bucharest - Romania
133, Calea Victoriei
POB : 2993; telex : 011214
telephone : 50.25.35
cables : uzexim - bucharest

COMPANY AFFAIRS

Jay Shree Tea

The board of directors of Jay Shree Tea and Industries Ltd, has recommended an equity dividend of Rs 2 per share for the year ended the March 31, 1978, absorbing Rs 54.67 lakhs. Although the gross sales have gone up from Rs 29.14 crores in 1977-78 to Rs 32 crores, the tapering off of the boom in tea prices is reflected in a decline in gross profit from Rs 7.46 crores to Rs 4.94 crores. The net profit is lower at Rs 1.30 crores as compared with Rs 2.27 crores in the previous year, but the board has recommended that the dividend be maintained at the 1977-78 rate.

While the financial results are considered satisfactory in the context of the change in the world tea market situation, there are quite a few bright spots in the performance on the estates. Record crops were harvested in the company's Sholoyar and other plantations in Tamil Nadu or Kerala. Melong tea estate in Assam realised a record price of Rs 401 per kg for one of its STFOP invoices. This was the highest price recorded in the Calcutta auctions for the '78 season. Risheehat tea estate scored 10 centuries and two double centuries.

Taking a view of the prospects, the board expects realisations to improve thanks to the withdrawal of the export duty. Further improvement in working results are likely and consequently 1979-80 could possibly make a somewhat better showing despite probable increases in operating costs.

Guest Keen Williams

Mr K.B. Lall, chairman, Guest Keen Williams Limited informed the shareholders on the occasion of the annual general meeting on May 4, that the company's performance, with 30 per cent increase in turnover and 38 per cent growth in net profits, was quite encouraging. The dividend of 12 per cent proposed on the capital as increased by the one-for-two bonus issue amounted to 18 per cent on the smaller capital base prior to its expansion, thereby recording a 29 per cent rise over the previous year's performance. This satisfactory working was no reason to induce a sense of complacency, when a number of constraints continued to curb the true realisation of full potentialities of the company.

The power situation, particularly in eastern India, where about 70 per cent of the assets of the company were invested, was the single most critical handicap. Supply of power throughout the year 1977 and a further deterioration since February, 1978, had caused concern to the management. Last month alone five factories of the company had to remain totally closed for seven days when there was tension power supply. Recently, however, these had re-opened but were working well below capacity.

Apart from the recurring power shortages, the scarcity of other key inputs in the production processes of the company was causing concern. Melting scrap, mild steel, cement, coal and ferro-alloys were frequently not available in right quantities at the right time. The chronic shortage of railway wagons and other transport bottlenecks created difficulties in the production cycle. This situation, he added, did not face this company alone. The industries with which this company's working was interlinked were also in a similar situation. Mr Lall, however, was quite hopeful that the steel making and engineering complex of the company would require to be further diversified. It would be the endeavour of this company to engage in a continuing dialogue with its customers so that it could serve them better and meet their demand effectively.

The importance attached by the company to its export performance was well reflected in its achievements. Mr Lall stressed the need to broaden the product base and intensify the search for new customers so as to sustain the company's export performance.

Bharat Commerce and Industries Limited

In its annual report to the shareholders for the year ended December 31, 1978, the board of directors of Bharat Commerce and Industries Limited, has said that, in view of the substantial increases in profit, it is recommending that shares be increased from Rupee one per share paid for the previous year to Rs 1.50 per share for the year under review. The turnover for the year rose by 17.6 per cent from Rs 55.54 crores to Rs 65.31 crores. Gross profit was sharply higher at Rs 3.37 crores (Rs 1.12 crores) and profit after taxation Rs 1.48 crores (Rs 26.64 lakhs). The proposed dividend (including preference dividend) absorbs Rs 39.88 lakhs (Rs 29.18 lakhs). The net worth per equity share has gone up from Rs 23.21 to Rs 28.30 and the profit for disposal works out to Rs 5.88 per equity share and is only slightly less than four times the recommended dividend. Reserves and surplus as on December 31, 1978 stood at Rs 4.57 crores as against share capital at Rs 2.75 crores.

Leading Position

The total plant capacities of the four spinning units of the company at the end of the year under review were 122,088 ring spindles and 53,376 doubling spindles. The company enjoys a position of leadership in the manufacture of synthetic yarn in this country and has maintained high standards of productivity in its spinning units through continuous attention to modernisation programmes subject only to the availability of finances and textile machinery of good quality within the country. The equity share is quoted around Rs 29. The 33rd annual general meeting of the company has been convened for June 14 in New Delhi to consider and adopt the directors' report and the audited balance sheet and the profit and loss account and declare dividends on preference and equity shares for the year ended the December 31, 1978.

Grindlays Bank Limited

In a statement on the working of the Indian branches of Grindlays Bank Limited, the regional director for south Asia, Mr L.A.W. Evans says that "we ended the year 1978 with mixed feelings". Deposits rose handsomely to Rs 490 crores, representing a point-to-point increase of over eight per cent, with existing branch network. Foreign currency non-resident and non - resident external balances continued to improve substantially, reaching to Rs 35.45 crores an increase of over 25 per cent on the previous year. In the area of advances, lending for food procurement was stepped up from Rs 28 crores to Rs 43 crores, but this had naturally called for restraint on lending for commercial purposes at Rs 290 crores which was marginally lower than the 1977-end figure of Rs 294 crores.

Where the year 1978 could have been more satisfactory it was in respect of the cost funds in relation to earnings. With effect from the March 1, 1978, the ceiling on lending interest rates was lowered from 16.5 per cent to 15 per cent per annum. The ceiling rates on various types of term loans and other priority sector advances was simultaneously reduced. In order to compensate banks for the loss of income resulting from these changes on lending rates, the interest rates on very long and very short term deposit were reduced, but the reduced rates were made applicable only to deposits renewed on or after the March 1, 1978. Therefore they did not make any appreciable impact on the cost of funds in 1978 in relation to what they could earn of their advances. Bank earnings in fact were adversely affected to the extent of the fact that the seven per cent tax on interest earnings was abolished, since banks were expected to pass on the benefit on income to their customers by appropriate reductions in lending interest rates. Again the relief afforded by the Reserve Bank of India raising the interest on statutory cash balances maintained with them by 0.5 per cent per annum with effect from June 1, 1978 gave only modest relief to bank earnings in 1978.

The income from interest and discount was slightly lower in 1978 at Rs 47.99 crores (Rs 48.12 crores), but the total income was slightly better at Rs 56.87 crores (Rs 56.30 crores). Interest paid on deposits, borrowings, etc, rose to Rs 24.73 crores (Rs 23.84 crores) and the total expenditure to Rs 54.31 crores (Rs 53.69 crores). The profit thus came to Rs 2.56 crores (Rs 2.61 crores). The regional director's statement observes that "it has been a difficult year made somewhat easier by the skill brought to their tasks by our management and those working under them".

Good Progress

The merchant banking division in particular showed good progress. The bank's three offices in Bombay, Calcutta and New Delhi are now fully equipped to delivery the entire range of merchant banking services. Whereas in the early years virtually the entire revenue of the division was generated from the management of public issues, in 1978 this service contributed only 10 per cent of the total earnings. The arrangement for finance for new and expansion projects has emerged as the most important product of the division, contributing as much as 62 per cent of the total revenues last year. General consultancy is the other major product taking a 20 per cent share in gross earnings. Two products, i.e., advice on mergers and acquisitions and legal consultancy contributed to the revenues for the first time in 1978. Eight major share issues were managed by this division last year and each of these was oversubscribed, some by substantial margins.

Kaisers out of Hindalco

In the course of an interview to the *Financial Express*, analysing the impact of government policies on the concept of a mixed economy, Mr J.R.D. Tata said that he sticks to the view expressed by him in April 1975 that, by 1980 or so, the government would be taking over, directly or indirectly, at least 80 per cent of the country's industrial capital. He pointed his finger at the following facts:

1. The direct purchase of equity shares by government institutions continues unabated;

2. The right of convertibility continues to be exercised in the case of well-managed companies;

3. The high cost of new projects, particularly in the core sector to which the large houses are confined, forces companies to borrow heavily from government financial institutions, which have been given a monopoly of lendable funds;

4. A good part of the foreign holdings of FERA companies will have to be disinvested or transferred to public sector financial institutions; and

5. The assets of the government's own public sector enterprises are increasing at a high rate year by year, while private sector investments stagnate.

In this context the scheme approved by the government for the disinvestment of the Kaiser holding in the Hindustan Aluminium Company Limited is of interest. The American company has a holding of 2.68 million shares of the face value of Rs 2.68 crores. It has been allowed to sell these shares at Rs 20 each, inclusive of the dividend for 1978. Out of these 2.68 million shares, 1.58 million shares are to be sold to the financial institutions and nationalised banks and one million to the public, while 100,000 shares are to be sold

JAY SHREE TEA & INDUSTRIES LIMITED

Notice to the Shareholders

NOTICE is hereby given that the 33rd Annual General Meeting of the Shareholders of the Company will be held on Friday, the 6th July, 1979 at 3.30 P.M. at Birla Buildings, 9/1 R.N. Mukherjee Road, Calcutta-700 001 and its agenda has been/will be circulated to all members of the Company in time.

The Equity Share Transfer Registers (Registers of Members) will remain closed from 8.6.1979 to 6.7.1979, both days inclusive, for the purpose of payment of dividends.

By Order of the Board

For Jay Shree Tea & Industries Limited

B.C. BIYANI
President

Registered Office :
'INDUSTRY HOUSE'
10, Camac Street,
Calcutta-700 017.
Dated, the 15th May, 1979.

to the employees of the company. This process will eliminate Kaiser's present holding of 27 per cent in the equity capital of HINDALCO, which is Rs 10.04 crores. The present holdings of financial institutions and banks is 15 per cent and this will rise to 30 per cent while the percentage of shares held by the public will go up from 32 to 42. The Birla holding which is 26 per cent will remain unchanged.

This scheme, approved or rather enforced by the government, denies the existing shareholders of the company (including the Birlas) their normal eligibility to a rights issue. The motives behind the government's formula are obvious. This, however, is not the first time that, where foreign equity is diluted, existing shareholders have been denied the advantage of subscribing for a rights issue. The main purpose in all these transactions has been to create shareholdings in favour of the public financial institutions and nationalised banks where such shareholdings do not exist already, or where shares are already held by them, to increase their percentage of share holding.

Shaw Wallace

Shaw Wallace & Co Ltd has stepped up its equity payments by 2.5 points to 15 per cent for the year 1978 following the higher profit margins. Preference capital also gets the stipulated rate for the year. According to the preliminary working results, the company's pre-tax profit has jumped to Rs 2.98 crores for the year from the previous year's level of Rs 1.93 crores. Tax liability is calculated at Rs 1.71 crores against Rs 1.30 crores leaving a substantially higher net profit of Rs 1.28 crores compared to the Rs 63.59 lakhs. Writing Rs 18 lakhs against Rs 6.15 lakhs being profit on sales of investments, Rs 1.16 lakhs against Rs 1.53 lakhs from the development rebate reserves and Rs 8.13 lakhs against Rs 15.66 lakhs from excess tax provisions, the surplus available for appropriation is also higher at Rs 1.55 crores as against Rs 86.94 lakhs. Of this investment allowance reserves gets Rs 1.31 lakhs against Rs 3.25 lakhs, debenture stock redemption Rs 6 lakhs against same paid, proposed dividends Rs 63.62 lakhs against Rs 53.62 lakhs and general reserves Rs 84.20 lakhs against Rs 24 lakhs, leaving a balance of Rs 4,000 to be carried forward against Rs 7,000 brought in. (A brief review appeared in the issue dated May 11, 1979, also).

Doom Dooma

Doom Dooma India's subscription list for the public issue of 385,000 equity shares of Rs 10 each for cash and at par opens on June 4, 1979. The above issue is in order to implement the directions of Reserve Bank of India in conformity with the policy of the government of India that non-resident interest in a sterling tea company shall not exceed 74 per cent of the issued capital of the company.

As a member of Brooke Bond Liebig Group, the company has a worldwide market network. It has three professionally managed estates and factories located in the highly productive tea growing areas of upper Assam. The average after tax profits for the five years from 1973 to 1977 of the Indian business of Sterling Doom Dooma Tea-Company Limited, which has amalgamated with the company, when capitalised at 15 per cent yields a notional value of Rs 30.96 per equity share of Rs 10 each on the basis of the company's proposed equity share capital of Rs 175 lakhs, reflecting a strong earning potential of the company.

Gujarat State Fertilizers

Lower realisation because of very low retention prices of fertilizers, heavy caprolactum imports, its stockpiling at the company's doorstep and the consequent uneconomic reduction in its price were some of the major factors which contributed to decline in the profits of GSFC for 1978 according to chairman, Mr Jaykrishna Harivallabhdas. He indicated that the company would not be out of woods till the government substantially revised upwards the retention prices for fertilizers for the period beginning from April, 1979, which were likely to be announced in June this year. Mr Harivallabhdas was addressing the company's shareholders at the seventeenth annual general meeting held at Fertilizernagar recently. He informed the shareholders that the company's submission for fixing retention prices of its fertilizers had not been fully taken into account so far. The company had apprised government of this problem and expected a more favourable consideration by them while fixing the new retention prices, he added.

Mr Harivallabhdas further said that the price of caprolactum in the overseas market had recently gone up. He urged the government to regulate the imports in a manner so as to meet the balance demand over the indigenous production and thus to protect the interests of the indigenous producers. Sounding a note of optimism, Mr Harivallabhdas said that the various steps such as commissioning of a new centrifuge in urea-2 plant, expected commissioning of two more centrifuges and a reactor for urea-1 plant towards the end of 1979 and completion of debottlenecking of phosphoric acid plant in May, 1979 will help the company to augment production in the current year.

Widia (India)

The directors of Widia (India) Ltd have recommended a dividend of 16 per cent on the increased share capital, subject to deduction of tax, against 15 per cent for the year 1978.

The company has shown a commendable performance for 1978, maintaining its growth over the past few years. The gross turnover has increased from Rs 921.60 lakhs in 1977 to Rs 1,139.18 lakhs for 1978. The profit before depreciation and taxation is higher at Rs 162.19 lakhs (Rs 139.31 lakhs for 1977). The depreciation is Rs 33.70 lakhs (Rs 47.00 lakhs). The provision for taxation is Rs 67 lakhs (Rs 56.50 lakhs). Investment allowance reserve for 1978 amount to Rs 13.33 lakhs (Rs 4.25 lakhs). After appropriating Rs 21.98 lakhs (Rs 13.74 lakhs) towards the proposed dividend, an amount of Rs 26.18 lakhs (Rs 17.82 lakhs) would be transferred to the general reserve.

The increase in the company's turnover for 1978 is mainly due to the introduction of new products and a revival of industrial activities during the second half of the year and intensified marketing efforts. The turnover for the first four months of the current year has increased by about 28 per cent over that of the corresponding period of the previous year. Despite the increase in the costs of raw materials and spiralling prices of other inputs, the directors hope that the company will turnout yet another year of good performance.

Jagatjit Cotton

The directors of Jagatjit Cotton Mills have proposed to issue bonus shares in the ratio of one new share for every two shares held by capitalising Rs 76.63 lakhs from the reserves. After the attotment of the bonus shares, the company proposes to make a one-for-one right issue at par. The directors have also approved the proposal to amalgamate Taplon Synthetics with the company, subject to the consent of the Delhi, Punjab and Haryana high courts.

The company has stepped up the equity dividend for the year ended January, 1979 to 12 per cent from nine per cent paid for the previous year. According to the brief preliminary statement, the pre-tax profit is placed at Rs 202.47 lakhs. The provision for taxation is Rs 75 lakhs (nil). A sum of Rs 109 lakhs (Rs 3.87 lakhs) has been transferred to general reserve. Dividends will absorb Rs 24.08 lakhs.

Phillips Carbon

Mr K.P. Goenka, chairman of Phillips Carbon Black, stated recently that given adequate quantities of feedstocks the company can produce larger quantities of carbon black and earn additional valuable foreign exchange in the export market after meeting domestic demand. The current feedstock position is hurting the company doubly. First, inadequate supplies prevent it from utilising the maximum production potential of the plant and second, the use of other materials entailed a heavy burden on its economies.

The export demand continued to be good, but shipments were limited due to available exportable surplus. Exports totalled about 10 per cent of the annual production. The research and development cell has been successfully meeting the challenge of substitution arising out of shortage of feedstock. The plant of Oriental Carbon at Ghaziabad is operating satisfactorily and its products have been well received by the market. The plant of Gujarat Carbon at Palej has been commissioned and is working satisfactorily. The company proposes to invest up to Rs 1 crore in the share capital of Deccan Fibre Glass Ltd.

Bombay Oxygen

Bombay Oxygen Corporation has turned out substantially improved results for 1978. The company's turnover has risen by 38.1 per cent from Rs 2.18 crores in 1977 to Rs 2.88 crores and the gross profit by 39.7 per cent from Rs 78 lakhs to Rs 1.09 crores. The directors have proposed to maintain the equity dividend at 15 per cent. The brief preliminary statement on the company's working stated that it has undertaken a substantial expansion of capacities at Kalwe, Khopoli and Pune. It has entered into a fresh long-term agreement with Mahindra Ugine Steel Co to meet its additional requirements of oxygen and nitrogen at Khopoli which will involve the installation of two new plants. Yet another oxygen plant is being installed at Kalwe to meet the additional requirements of Mukand Iron. The company is setting up at Pune a plant manufacturing division which will go a long way in improving the outlook.

The company's subsidiary Raptakos, Brett and Co has produced much better results

Oil & Natural Gas Commission

6th Floor, Kailash, 26-Kasturba Gandhi Marg, New Delhi-110001. India.
Ref: DLH/WP/1
Dated 23rd May, 1979.

TENDER NOTICE FOR THREE WELL PLATFORMS COMPLEX IN BOMBAY HIGH CENTRAL/SOUTH

1. Oil & Natural Gas Commission proposes to invite shortly, tenders for the design, procurement, fabrication, erection, start up and commissioning of two well platforms, out of the three as per scope of work briefly given below:-

Three(3) four legged multi well platforms including all related equipment, piping, instrumentation, electrical, controls, bunk house and helideck, referred as 'NL', 'NM' and 'SD' platforms.

Two phase submarine flowline between 'NL' and the forthcoming 'BHN' platforms.

Two phase submarine flowline between 'NM' and the forthcoming 'BHN' platforms.

Two phase submarine flowlines between 'SD' and the forthcoming 'SA' platforms.

Note:- The third platform will be optional.

2. Interested bidders may please note the following:-

(a) The tender documents for the above work will be ready for issue by June 15, 1979. Intending tenderers are advised to come personally to collect tender documents and seek clarifications if necessary.

(b) The successful tenderer will be required to carry out the work on a turnkey basis and mechanically complete and precommission the entire facilities by April 30, 1980. After the completion of wells by ONGC, the tenderer will be required to tie-in the wells, commission and start-up the facilities.

(c) **Experience:-** Tenderers should have in ONGC's opinion sufficient capability to undertake the works proposed in all aspects and be able to show evidence of their capabilities to ONGC's satisfaction. In particular, ONGC would expect tenderers to have about four years experience in design and installation of offshore oil/gas platforms and transportation facilities and about four years experience in fabrication of offshore oil/gas platforms or of comparable installations of similar complexity.

(d) Tenderers would be required to furnish with their bids, a bid bond for U.S. $ 1 million (United States Dollars one million) valid for a period of 90 days. The successful tenderer would be required to extend the validity of bid bond for a further period, untill a formal contract is executed by the two parties.

(e) The cost of the tender documents for the works under reference is U.S. $2000/- (U.S. Dollars two thousand). This should be submitted in the form of a crossed demand draft drawn in favour of 'Finance & Accounts Officer', Oil & Natural Gas Commission, New Delhi-110001 and made payable at any reputed bank in New Delhi.

(f) Bids from Agents/Representatives will not be accepted.

(g) The last date, time and place for receipt of the completed tenders shall be 16th July, 1979, 1500 hours IST at the Commission's office cited above at New Delhi. Tenders received will be opened in the presence of the tenderers' authorised representatives at 1100 hours on 17th July, 1979 at the above cited office at New Delhi,

3. ONGC shall have the right to accept any tender, as also to reject any tender or even all the tenders at its discretion, without assigning any reasons therefor.

4. No correspondence on this subject will be entertained.

B. K. Naik
Deputy Director (S&P)

davp. 851(1)/79

with the gross sales rising from Rs 9.94 crores to Rs 12.56 crores and the profit, subject to tax from Rs 23.49 lakhs to Rs 49.53 lakhs. It has developed and introduced many new products and is poised for a sustained growth in years to come.

ASEA

ASEA has commenced trial production of circuit breakers and thyristor converters at its Nasik plant in December, 1977. Commercial production of these products could not commence till the beginning of 1979 on account of heavy rejection of indigenous bought-out components for which alternative suppliers had to be found out and in certain cases imported components had to be ordered. The directors state that the situation is now fairly under control and they hope that the supplies of these components would also be arranged soon. In the meantime, the company has commenced commercial production of circuit breakers and switchgear cubicles. The production of other products will be taken up gradually after procuring the necessary machinery for the same as also after setting up other required facilities.

CWS (India)

CWS (India) had achieved a turnoverof Rs 7.56 crores during the year ended September, 1978 against Rs 9 48 crores in 1976-77 and Rs 5.44 crores in 1975-76. The gross profit was Rs 1.10 crores, Rs 3.67 crores and Rs 71 lakhs, respectively and the net profit Rs 37 lakhs, Rs 1.30 crores and Rs 21 lakhs. The directors hope that the company will be able to pay reasonable dividend in future years. The new shares issued recently will be entitled to full dividend for the year 1978-79.

"Two Years of Janata Administration"

Solid Steps Towards All Round Development of Delhi Welfare of Harijans & Weaker Sections Receive Highest Priority

* Provision of basic amenities for the first time for more than 55% of Delhi's population residing in resettlement colonies, urbanised villages, unauthorised colonies, Katras & trans Yamuna areas.

* Expenditure on the welfare of Harijans & weaker sections in 1978-79 increased to Rs. 104 lakhs from 43 lakhs in 1976-77. For the first time 737 Harijans became proud owners of buses through Delhi Administration.

* Decision to make 4465 Industrial Workers owners of flats on hire-purchase basis.

* Rs. 26 crores spent on Rural Development. A Rs. 11 crores plan to provide drinking water to all villages launched for the first time. In the last 30 years only 25 villages could get this basic amenity. Vital decision to extend Lal Dora of villages was also taken.

* String of industrial complexes to create 2 lakh jobs. Revolutionary scheme to provide work to at least one member from such families wherein none is employed.

* To bring medi-care at the door steps of the people in far-flung and rural areas, schemes to set up two 500 bedded and seven 100 bedded hospitals.

* Nutrition and mid-day meals to 2.5 lakhs children; Scholarships for 72,000 children; free uniforms & text books for all poor children.

* Vocational Training for 16,500 boys & girls in 16 institutions; Admission strictly on merit; Facilities of education, nutrition and medi-care to 1 lakh children & mothers under 7 schemes with 100 Anganbadies, each.

* Construction of record number of 11000 houses in a year and scheme for construction of 20000 houses & 22000 sites and services underway in the current year ; 80% houses of which will be for low income group people and economically weaker sections.

* Scheme to educate 7.5 lakh adults in 5 years.

* Steps towards total prohibition by 31st March, 1980.

Let us take a pledge to do our best to make Delhi one of the best capitals of the world; beautiful and comfortable to live in.

ISSUED BY : DIRECTORATE OF INFORMATION & PUBLICITY : DELHI ADMINISTRATION, DELHI.

Wholesale prices

(Base : 1970-71=100)

RECORDS AND STATISTICS

Review for the week ended April 28, 1979

THE OFFICIAL wholesale price index for 'All-commodities' stood at 194.3 (provisional) during the week ended April 28, 1979 as against 194.1 (provisional) for the previous week. At this level, the index was higher by 0.1 and 6.6 per cent respectively when compared to the previous week and that of a year ago.

Groupwise analysis of price movement is shown below.

Lower prices of onions (—17%), bananas (—7%), sweet potatoes (—5%), gram and spices & condiments (—4% each), tea (—3%), arhar and milk (—2% each) and wheat and bajra (—1% each) brought down the index for 'Food Articles' by 0.4 per cent to 170.7 as against 171.3 for the previous week. However, prices of oranges (+21%), apples (+8%), tapioca (+4%), ragi (+3%), eggs (+2%) and rice barley, moong, fish and coffee (+1% each) moved up.

The index for 'Non-Food Articles' recorded a rise of 0.3 per cent to 176.4 as against 175.9 for the last week owing to an increase in prices of coir fibre (+27%), raw wool and raw tabacco (+4% each), raw rubber (+3%), raw hides (+2%) and mesta, mahua seed, raw skins, tanning materials and logs & timber (+1% each) although prices of copra (—7%), rape & mustard seed and kardi seed (—2% each) and raw cotton, raw silk, castorseed and soyabeans (—1% each) declined.

The index for 'Minerals' group remained unchanged at its earlier week's level of 566.7.

The index for 'Fuel, Power, Light and Lubricants' group showed a fractional rise of 0.1 per cent to 251.4 as against 251.2 for the previous week due to an increase in prices of lubricating oil (+1%).

Among manufactured products, the index for 'Food Products' remained unchanged at its previous week's level of 171.0. Items which showed variations during the week were : sugar (—2%), khandsari, mustard oil and coconut oil (—1% each); mahua oil, rice bran oil and oilcakes (+2% each) and kardi oil and solvent extracted groundnut oil (+1% each)

The index for 'Beverages, Tobacco & Tobacco Products' remained unchanged at its previous week's level of 184.6 although prices of beer (—2%) fell.

The index for 'Textiles' group went up by 1.2 per cent to 188.6 as against 186.3 for the previous week due to an advance in prices of coir yarn (+14%), jute manufactures (+3%), art silk & artificial yarn and handloom & powerloom cloth (+2% each)

The index for 'Paper & Paper Products' receded by 0.5 per cent to 207.8 as against 208.8 for the previous week owing to a fall in prices of paper (—1%).

The index for 'Leather & Leather Products' remained firm at its last week's level of 309.5.

The index for 'Rubber & Rubber Products' recorded no change and remained at 197.3.

The index for 'Chemical & Chemical Products' group stood at 182.0 as against its previous week's level of 181.8. Prices of linseed oil (—5%), castor oil (—1%); lakes-pigments (+8%) and explosives (+5%) recorded variations.

Higher prices of fire bricks (+33%), sanitaryware (+5%), refractory bricks (+4%) and bangles (+1%) raised the index for 'Non-Metallic Mineral Products' by 1.9 per cent to 229.6 as against 225.4 for the previous week.

The index for 'Basic Metals, Alloys & Metal Products' stood stationary at itsprevious week's level of 238.8.

The index for 'Machinery & Transport Equipment' group stood at 199.4 as against 199.3 for the earlier week. Prices of concrete mixer (+12%) and electric lamps (+7%) moved up.

The index for 'Miscellaneous Products' registered a rise of 1.0 per cent to 201.8 when compared to 199.8 for the previous week due to an increase in prices of clocks & watches (+8%).

Index Numbers of Wholesale Prices by Major Groups & Sub-Groups (Base : 1970-71 = 100)

Major groups, groups & sub-groups	Weight in relation to all-commodities	Week Ending 28-4-79 (Latest week)	21-4-79 (A week ago)	31-3-79 (4 weeks ago)	3-3-79 (8 weeks ago)	29-4-78 (A year ago)
		(Provisional)			(Final)	
1	2	3	4	5	6	7
ALL COMMODITIES	1000.00	**194.3**	**194.1**	**190.5**	**186.9**	**182.2**
I. **Primary Articles**	416.67	**184.0**	**184.3**	**180.8**	**178.8**	**179.6**
A. **Food Articles**	297.99	**170.7**	**171.3**	**169.6**	**167.0**	**171.9**
Foodgrains (i+ii)	129.22	169.6	170.0	170.7	168.9	167.6
(i) Cereals	107.43	157.2	156.7	156.9	156.4	156.1
(ii) Pulses	21.79	230.7	235.6	239.0	230.5	224.7
(iii) Fruits & vegetables	61.32	166.9	165.2	154.8	144.1	170.4

—Contd.

Index Numbers of Wholesale Prices by Major Groups, Groups

1	2	3	4	5	6	7
(iv) Milk & milk products	61.50	164.6	167.0	165.4	166.5	160.0
(v) Eggs, fish & meat	18.97	214.3	213.0	219.8	226.8	203.8
(vi) Condiments & spices	10.94	144.2	149.7	150.6	143.0	180.6
(vii) Other food articles	16.04	183.7	186.9	186.6	187.3	214.7
B. Non-Food Articles	106.21	**176.4**	**175.9**	**174.0**	**173.3**	**165.1**
(i) Fibres	31.73	168.1	167.3	167.7	165.3	173.6
(ii) Oilseeds	42.01	154.4	156.2	152.2	147.1	159.4
(iii) Other non-food articles	32.47	212.8	209.9	208.5	215.0	164.1
C. Minerals	12.47	**566.7**	**566.7**	**505.6**	**506.3**	**484.9**
(i) Metallic minerals	2.29	205.6	205.6	204.7	204.7	198.2
(ii) Other minerals	4.16	205.1	205.1	202.8	204.7	196.4
(iii) Petroleum crude & natural gas	6.02	954.7	954.7	830.0	830.0	793.9
II. Fuel, Power, Light & Lubricants	84.59	**251.4**	**251.2**	**258.4**	**250.2**	**243.7**
(i) Coal mining	11.47	211.5	211.5	211.5	211.5	211.3
(ii) Mineral oils	49.12	279.2	278.9	291.4	277.2	271.2
(iii) Electricity	24.00	213.5	213.5	213.5	213.5	203.0
III. Manufactured Products	498.74	**193.2**	**192.6**	**187.1**	**182.9**	**173.9**
A. Food Products	133.22	**171.0**	**171.0**	**164.1**	**147.4**	**153.7**
(i) Dairy products (incl. processed milk & tinned milk)	3.88	208.3	208.3	208.3	208.3	201.9
(ii) Canned & preserved fruits & vegetables	0.39	175.0	175.0	175.0	175.0	166.6
(iii) Canned & preserved fish & sea food	0.36	214.4	214.4	214.4	214.4	206.0
(iv) Grain mill products	4.64	166.3	166.3	167.9	167.9	167.5
(v) Bakery products	1.85	156.8	156.8	156.8	162.8	159.4
(vi) Sugar, khandsari & gur	72.41	169.8	170.1	159.4	135.0	140.0
(vii) Sugar, confectionary, cocoa & chocolate	0.53	164.4	164.4	164.4	164.4	159.8
(viii) Miscellaneous food products (a+b+c)	49.16	170.4	170.1	166.9	157.4	167.9
(a) Edible oils	37.16	165.7	166.0	162.1	150.2	160.0
(b) Oilcakes	9.05	181.7	178.6	178.4	175.7	192.3
(c) Other misc. food products	2.95	195.5	195.5	191.6	191.6	193.4
B. Beverages, Tobacco & Tobacco Products	27.08	**184.6**	**184.6**	**192.5**	**183.8**	**176.9**
(i) Wine industry	6.77	141.7	141.9	141.9	141.5	135.4
(ii) Soft drinks	0.82	196.6	196.6	196.6	196.6	224.9
(iii) Tobacco manufactured	19.49	199.0	199.0	209.9	198.0	189.3
C. Textiles	110.26	**188.6**	**186.3**	**182.4**	**186.4**	**174.1**
(i) Cotton textiles	81.02	186.8	185.5	184.1	187.8	176.5
(ii) Woollen yarn & textiles	2.44	221.8	221.8	221.8	221.8	216.7
(iii) Silk, art silk & synthetic fibres textiles	12.83	170.2	167.7	164.8	171.7	159.4
(iv) Jute, hemp & mesta textiles	12.14	200.5	194.7	171.9	176.5	158.2
(v) Textiles products n.e.c.	1.83	274.7	247.3	243.9	243.9	221.2

—Contd.

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups—*Contd.*

1		2	3	4	5	6	7
D.	**Paper & Paper Products**	8.51	**207.8**	**208.8**	**206.5**	**205.5**	**190.7**
E.	**Leather & Leather Products**	3.85	**309.5**	**309.5**	**309.5**	**299.4**	**237.9**
	(i) Tanned & cured finished leather	2.95	343.8	343.8	343.8	330.6	251.6
	(ii) Footwear & other leather products	0.90	196.5	196.5	196.5	196.5	192.7
F.	**Rubber & Rubber Products**	12.07	**197.3**	**197.3**	**197.3**	**189.5**	**169.0**
	(i) Tyres & tubes	9.84	199.4	199.4	199.4	190.3	167.5
	(ii) Other rubber products	2.23	188.0	188.0	188.0	186.0	175.7
G.	**Chemicals & Chemical Products**	55.48	182.0	**181.8**	**180.8**	**182.3**	**175.1**
	(i) Basic industrial chemicals	7.26	228.7	228.7	228.0	225.5	202.5
	(ii) Fertilizers	12.52	165.0	165.0	165.0	175.9	176.8
	(iii) Insecticides	1.16	242.0	242.0	242.0	242.0	231.1
	(iv) Paints & varnishes	1.92	214.6	214.6	210.2	212.2	202.3
	(v) Drugs & medicines	9.83	135.4	135.1	135.2	135.4	136.2
	(vi) Cosmetics, soap & detergents	5.86	199.5	199.5	199.6	193.9	183.3
	(vii) Inedible oils	1.54	155.8	163.2	152.4	145.3	145.6
	(viii) Synthetic resin/resin & plastic materials	8.30	173.7	173.7	171.6	171.1	168.2
	(ix) Dyestuffs & other chemicals n.e.c.	7.09	210.0	208.3	207.5	208.3	190.5
H.	**Non-Metallic Mineral Products**	14.15	**229.6**	**225.4**	**223.4**	**226.2**	**204.9**
	(i) Structural clay products	1.82	241.3	222.8	216.7	218.4	207.4
	(ii) Glass & glass products	1.98	272.4	263.5	256.5	271.8	237.0
	(iii) Earthernware & earthern pottery	0.96	280.0	277.6	277.6	280.0	252.8
	(iv) Cement, lime & plaster	7.07	213.0	212.2	212.2	212.2	187.6
	(v) Miscellaneous non-metallic mineral products	2.32	213.6	213.6	212.3	213.6	208.3
I.	**Basic Metals Alloys & Metal Products**	59.74	**238.8**	**238.8**	**220.0**	**219.3**	**197.1**
	Basic metals & alloys (i+ii)	46.51	245.5	245.5	221.9	221.1	197.7
	(i) Iron, steel & ferro alloys	34.73	251.1	251.1	219.4	219.2	191.4
	(ii) Non-ferrous metals & their alloys	11.70	228.7	228.7	229.1	226.9	216.3
	(iii) Metal products	13.23	215.4	215.4	213.6	213.6	195.2
J.	**Machinery & Transport Equipment**	67.18	**199.4**	**199.3**	**190.2**	**193.8**	**178.6**
	Machinery & machine tools (i+ii)	50.45	198.7	198.5	192.2	191.7	178.8
	(i) Non, electrical machinery	30.91	207.1	207.0	199.8	198.6	185.9
	(ii) Electrical machinery	19.54	185.3	185.0	180.1	180.7	167.7
	Transport equipment (iii+iv)	16.73	201.8	201.8	200.5	200.3	177.9
	(iii) Motor vehicles & parts	13.73	209.0	209.0	207.6	207.4	184.0
	(iv) Motorcycles/scooter, bicycles & parts	3.00	168.9	168.9	168.2	167.8	150.1
K.	**Miscellaneous Products**	7.20	**201.8**	**199.8**	**199.7**	**199.1**	**180.3**
	(i) Wood & wood products	1.74	202.4	202.4	201.8	202.4	190.9
	(ii) Other manufacturing industries n.e.c.	5.46	201.6	199.0	199.0	198.1	177.0

Source : Office of the Economic Adviser to the Government of India, Ministry of Industry

Consumer Price Index Numbers for Industrial Workers

(Base : 1960 = 100

Centre	1970-71	1975-76	1976-77	1977-78	1978-79	1978						1979			1978
						July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Mar
All-India	**186**	**313**	**301**	**324**	**331**	**330**	**331**	**336**	**340**	**340**	**335**	**332**	**329**	**332**	**321**
Ahmedabad	176	293	281	310	323	320	321	326	328	325	323	322	321	327	314
Alwaye	198	358	321	319	335	333	336	335	341	343	341	341	340	340	317
Asansol	189	317	318	338	342	337	339	348	359	354	347	345	342	346	329
Bangalore	186	332	321	342	339	336	334	341	342	345	342	339	341	344	333
Bhavnagar	186	315	297	325	340	341	342	344	344	347	341	336	334	335	332
Bombay	182	300	298	318	325	325	325	327	326	327	326	324	323	326	310
Calcutta	182	287	297	320	331	329	333	343	353	350	338	331	325	329	316
Coimbatore	163	319	304	319	326	321	328	327	327	336	335	331	330	329	315
Delhi	199	333	332	358	368	369	369	376	374	368	369	368	366	371	359
Digboi	189	317	310	336	339	337	336	337	341	343	339	342	340	340	336
Gwalior	191	324	318	343	350	356	353	355	358	352	347	346	342	355	345
Howrah	186	290	292	313	319	313	316	323	341	334	328	321	317	321	307
Hyderabad	189	316	308	337	341	342	340	344	346	351	348	341	335	335	340
Jamshedpur	183	293	288	316	322	324	325	332	334	332	325	318	316	323	309
Madras	170	314	288	311	318	314	314	313	318	328	325	328	324	325	315
Madurai	183	333	302	331	338	330	331	339	344	355	357	350	336	340	323
Monghyr	205	325	317	345	348	344	352	365	365	364	348	338	340	340	334
Mundakayam	197	346	304	302	313	308	313	311	318	321	325	321	317	315	304
Nagpur	187	326	297	315	325	323	324	334	334	331	e29	328	324	324	311
Saharanpur	186	313	304	335	345	347	346	349	356	353	347	344	342	344	339
Sholapur	185	342	308	326	343	337	338	346	353	355	353	347	343	341	328

Source : Labour Bureau, Government of India, Chandigarh

Consumer Price Index Numbers for Urban Non-manual Employees

(Base : 1960 = 100)

Centre	1970-71	1975-76	1976-77	1977-78	1978									1979		1978
					April	May	June	July	Aug	Sept	Oct	Nov	Dec.	Jan.	Feb.	Feb
All-India	**174**	**277**	**277**	**296**	**298**	**300**	**303**	**306**	**306**	**309**	**310**	**310**	**308**	**307**	**304**	**296**
Bombay	168	246	255	269	276	279	283	286	285	286	287	287	287	287	286	268
Delhi-New Delhi	174	273	274	288	292	298	299	304	310	311	305	303	300	300	301	285
Calcutta	170	243	251	265	267	268	273	277	278	284	291	287	282	280	276	263
Madras	175	306	294	311	314	316	318	318	316	318	321	326	325	328	325	315
Hyderabad-Secunderabad	174	283	282	305	311	311	315	315	317	319	320	321	321	323	320	308
Bangalore	172	284	286	306	307	306	309	308	308	311	311	312	311	311	308	305
Lucknow	166	270	274	297	301	299	302	306	308	311	310	308	304	304	303	297
Ahmedabad	171	272	263	291	296	298	302	302	300	300	300	298	296	296	293	293
Jaipur	183	311	312	334	333	332	337	343	343	345	342	338	334	335	334	337
Patna	191	284	282	299	298	297	298	304	308	315	319	319	313	306	303	295
Srinagar	184	280	300	319	333	336	339	339	339	347	345	350	350	349	349	321
Trivandrum	178	297	301	309	310	310	312	316	318	321	320	323	320	324	325	309
Cuttack-Bhubaneswar	176	270	272	290	293	294	299	301	300	305	309	308	301	300	296	288
Bhopal	180	296	295	318	313	316	319	321	320	325	324	318	316	317	316	315
Chandigarh	178	278	284	299	308	306	308	309	308	311	313	310	306	305	305	300
Shillong	166	274	268	284	288	293	296	300	297	297	299	297	296	294	293	286

Source: Central Statistical Organisation, New Delhi.

Index Numbers of Security Prices—All India

(Base : 1970-71 = 100)

Item	Weight	Week ended Saturday										
		Feb., 24, 1979	March 3, 1979	March 10, 1979	March 17, 1979	March 24, 1979	March 31, 1979	April 7, 1979	April 14, 1979	April 21, 1979	April 28, 1979	April 29, 1978
I. GOVERNMENT AND SEMI-GOVERNMENT SECURITIES												
(Total : a+b+c)	100.0	97.6	97.7	97.7	97.7	97.6	97.7	97.7	97.7	97.7	97.7	97.8
a. Government of India	74.7	96.8	96.8	96.8	96.8	96.8	96.9	96.9	96.9	96.9	96.9	97.0
b. State Governments	19.7	99.7	99.7	99.8	99.8	99.5	99.8	99.8	99.8	99.8	99.5	99.7
c. Semi-Government Institutions	5.6	101.8	101.8	101.8	101.9	101.9	101.9	101.9	101.9	101.9	101.9	102.1
II. DEBENTURES OF JOINT STOCK COMPANIES												
All Industries	100.0	89.4	89.4	89.4	89.4	89.6	89.7	89.7	89.7	89.7	89.7	89.2
III. PREFERENCE SHARES												
All Industries	100.0	81.1	81.4	81.6	81.4	81.4	81.4	81.4	81.7	81.9	81.9	80.9
IV. ORDINARY SHARES												
All Industries	100.0	134.9	137.4	140.4	141.0	143.1	146.1	149.1	150.4	151.1	150.2	122.1
Of which :												
Tea Plantations	2.2	242.6	245.7	250.0	249.7	250.7	250.9	253.9	255.0	255.4	255.9	261.0
Cotton Textiles	9.7	131.9	132.7	136.3	137.6	139.9	140.6	144.4	149.3	149.6	147.4	99.9
Jute Textiles	0.9	93.2	94.5	94.5	95.6	96.4	98.1	105.5	113.3	119.7	121.3	71.8
Silk, Woollen and Rayon Textiles	6.2	163.8	166.4	171.6	172.7	173.5	177.9	184.8	188.3	192.1	189.6	136.7
Aluminium	3.8	66.9	67.8	71.3	73.2	74.8	74.9	74.6	75.0	76.1	74.6	61.4
Transport Equipment	5.4	120.5	126.8	132.9	135.7	137.1	141.0	145.2	145.4	145.7	145.3	95.1
Electrical Machinery, Apparatus, Appliances, etc.	6.5	135.7	135.8	138.4	139.0	139.7	145.2	149.3	150.7	151.5	149.4	118.3
Chemical Fertilisers	3.6	192.3	200.7	208.0	204.2	210.2	210.0	213.6	215.4	216.2	214.3	202.4
Cement	3.6	140.8	140.9	142.7	145.4	151.9	155.0	155.3	153.2	151.4	150.9	140.5
Paper and Paper Products	3.3	158.9	161.2	165.0	166.0	167.2	171.6	174.8	178.9	186.1	183.1	149.9
Rubber and Rubber Products	3.4	72.5	74.6	76.2	77.1	79.1	82.1	83.4	81.5	79.7	79.7	52.3
Electricity Generation and Supply	2.2	77.1	77.8	79.1	78.9	79.3	79.7	79.5	79.3	78.3	77.1	81.1
Shipping	2.0	98.3	100.7	100.3	100.3	102.3	116.1	125.4	124.2	123.8	123.5	109.7

Source : Reserve Bank of India.

Statement of Affairs of the Reserve Bank of India

(As on last Friday)

(Rs. crores)

Item	1970-71	1975-76	1976-77	1977-78	1978-79	1978	1979				1978
						Dec.	Jan.	Feb.	Mar.	April	April
1. **Notes in Circulation** (a—b)	4,212	6,535	7,743	8,602	10,267	9,627	9,949	9,996	10,267	10,744	9,000
(a) Total Notes Issued	4,221	6,573	7,779	8,616	10,318	9,653	10,000	10,037	10,318	10,793	9,007
Less (b) Notes held in Banking Dept.	10	38	36	14	51	26	51	40	51	48	7
2. **Deposits** (Total: a to e)	553	2,913	3,664	6,287	4,876	3,853	4,305	4,663	4,876	6,392	7,432
(a) Central and State Governments	264	671	388	2,771	724	46	327	509	724	2,201	3,625
(b) Scheduled Commercial Banks	207	607	1,146	1,674	2,634	2,254	2,396	2,628	2,634	2,819	1,991
(c) Scheduled State Co-operative Banks	9	21	28	41	46	33	32	32	46	48	31
(d) Other Banks	1	3	3	4	6	5	5	6	6	6	6
(e) Others	72	1,612	2,099	1,797	1,466	1,516	1,545	1,488	1,466	1,318	1,779
3. Other Liabilities	689	2,137	2,213	2,927	3,222	2,940	2,998	3,092	3,222	3,232	2,796
4. **Total Liabilities/Assets**	5,454	11,585	13,620	17,816	18,365	16,420	17,251	17,753	18,365	20,368	19,229
5. Foreign Exchange Assets[1]	350	1,518	2,768	3,889	4,655	4,261	4,456	4,502	4,655	4,813	4,001
6. Gold Coin and Bullion	183	183	188	193	219	214	219	219	219	219	193
7. Government of India Rupee Securities	3,714	6,105	6,500	6,645	7,546[2]	6,985	7,304[2]	7,588[2]	7,546[2]	8,031[2]	8,057[2]
8. **Loans and Advances** (Total : a to d)	958	2,052	2,430	2,107	2,352	2,065	2,364	2,361	2,352	2,081	2,140
9. (a) State Governments[3]	250	304	327	402	170	119	169	127	170	208	707
(b) Scheduled Commercial Banks	368	798	967	331	546	357	548	521	546	387	155
(c) State Co-operative Banks	306	459	488	595	558	583	599	636	558	410	505
(d) Others	34	491	648	779	1,078	1,006	1,048	1,077	1,078	1,076	773
9. **Bills Purchased and Discounted** Total : (a+b)	38	739	531	2,809	1,675	682	622	834	1,675	2,886	2,955
(a) Internal/Commercial	7	176	184	117	106	88	89	108	106	88	69
(b) Government Treasury Bills	31	563	347	2,692	1,569	594	533	726	1,569	2,798	2,886
10. Investments	113	444	215	1,077	672[4]	876	592[4]	668[4]	672[4]	686[4]	673[4]
11. Other Assets[5]	98	544	988	1,096	1,246	1,337	1,694	1,579	1,246	1,652	1,210

1. Foreign Securities plus Balances held abroad, which itself includes Cash, Short-term Securities and Fixed Deposits.
2. Includng *ad-hoc* Treasury Bills.
3. Including temporary overdrafts.
4. Include investments in Foreign Shares/Bonds but exclude those in Rupee Securities.
5. Including rupee coin/Government of India rupee notes.

Note : Individual figures may not, in all cases, add up exactly to total due to rounding off.

All Scheduled Commercial Banks—Business in India

(As on last Friday)

(Rs. crores)

Item	1970-71	1975-76	1976-77	1977-78	1978-79	1978	1979				1978
						Dec.	Jan.	Feb.	March	April	April
1. Aggregate Deposits (Total : a+b)	5,906	14,155	17,566	22,211	26,875	25,303	25,885	26,200	26,875	26,993	22,437
(a) Demand Deposits	2,626	5,817	6,943	8,868	10,355	9,364	9,839	9,898	10,355	10,182	8,776
(b) Time Deposits	3.280	8,338	10,623	13,343	16,520	15,939	16,046	16,302	16,520	16,811	13,661
2. Borrowings from Reserve Bank†	368	798	967	331	546	357	548	521	546	387	155
3. Cash in Hand and Balances with Reserve Bank	364	912	1,500	2,143	3,180	2,782	2,979	3,186	3,180	3,374	2,459
(Total : a+b)											
(a) Cash in Hand	167	305	354	469	546	528	583	559	546	554	467
(b) Balances with Reserve Bank††	197	607	1,146	1,674	2,634	2,254	2,396	2,628	2,634	2,819	1,991
4. Investments											
(Total : a+b)		4,607	5,536	7,897	9,046	8,456	8,568	8,840	9,046	9,400	7,876
(a) Government Securities*	1,362	3,283	3,930	5,907	6,571	6,136	6,251	6,473	6,571	6,899	5,886
(b) Other Approved Securities		1,324	1,606	1,990	2,476	2,320	2,317	2,367	2,476	2,501	1,990
5. Bank Credit											
(Total : a+b+c)	4,684	10,877	13,173	14,939	17,669	16,858	17,671	17,524	17,669	17,881	14,753
of which :											
5.1 For Financing Food Procurement Operations	214	1,521	2,190	1,984	2,210	2,384	2,459	2,348	2,210	2,207	1,991
(a) Loans, Cash-Credits and Overdrafts	3,708	8,527	11,411	12,709	15,232	14,740	15,266	15,121	15,232	15,352	12,550
(b) Inland Bills Purchased and Discounted**	765	1,852	1,155	1,575	1,627	1,446	1,676	1,638	1,627	1,678	1,549
(c) Foreign Bills, Purchased and Discounted	211	498	607	655	810	672	728	766	810	853	6 5
6. Cash-Deposit Ratio (3) as per cent of (1)	6.16	6.44	8.54	9.65	11.83	10.99	11.51	12.16	11.83	12.50	10.96
7. Investment-Deposit Ratio (4) as per cent of (1)	23.06@	23.19@ 32.55	31.52	35.55	33.66	33.42	33.10	33.74	33.66	34.82	35.10
8. Credit-Deposit Ratio (5) as per cent of (1)	79.31	76.84	74.99	67.26	65.75	66.62	68.27	66.89	65.75	66.24	65.75

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† As available in the Reserve Bank records.

†† As per the Statement of Affairs of the Reserve Bank of India with effect from July 6, 1973.

* At Book Value; including Treasury Bills and Treasury Deposit Receipts, etc.

** Excluded Bills re-discounted with Reserve Bank of India.

@ Relates to Investments in Government Securities only.

Note : Individual figures may not, in all cases, add up exactly to total due to rounding off.

Analysis of Money Stock Measures

(Rupees crores)

Sl. No.	Item	1970-71	1975-76	1976-77	1977-78	1978-79	1978	1979				1978
							Dec.	Jan.	Feb.	March	April	April
	MONEY STOCK MEASURES (M_1 and M_3)											
1.	**Money Supply (M_1)** (Total : a+b+c)	7,321	13,143	15,609	18,381	21,717	20,081	20,882	20,968	21,717	21,908	18,692
	(a) Currency with the Public	4,367	6,704	7,872	8,627	10,194	9,596	9,869	9,932	10,194	10,662	9,034
	(b) Bank Money (=Demand Deposits with Banks)	2,910	6,385	7,636	9,684	11,320	10,288	10,760	10,821	11,320	11,167	9,598
	(c) Other Deposits with Reserve Bank*	44	54	100	70	203	197	253	215	203	79	60
2.	**M_3 (=M_1+Time Deposits with Banks)** (Total 1+7a)	10,958	22,286	27,285	32,908	39,644	37,365	38,269	38,611	39,644	40,155	33,574
	SOURCES OF CHANGE IN M_1											
3.	**Net Bank Credit to Government** (Total : a+b)	5,264	10,112	11,020	13,474	15,341	14,088	14,141	14,620	15,341	15,948	14,069
	(a) RBI's Net Credit to Government	3,807	6,697	6,926	7,387	8,565	7,745	7,683	7,939	8,565	8,842	8,001
	(b) Other Banks Credit to Government	1,457	3,414	4,094	6,087	6,776	6,343	6,458	6,681	6,776	7,106	6,068
4.	**Bank Credit to Commercial Sector**** (Total : a+b)	6,455	15,392	18,493	21,235	25,207	23,928	24,827	24,783	25,207	25,401	21,052
	(a) RBI's credit to Commercial Sector	125	721	887	954	1,249	1,161	1,202	1,251	1,249	1,229	900
	(b) Other Banks credit to Commercial Sector	6,330	14,671	17,607	20,282	23,958	22,767	23,625	23,532	23,958	24,172	20,152
5.	**Net Foreign Exchange Assets of Banking Sector**	559	1,094	2,550	4,540	5,437	5,234	5,242	5.364	5,437	5.608	4,611
6.	**Government's Net Currency Liabilities to the Public**	384	555	568	590	589	591	596	589	589	589	594
7.	**Non-monetary Liabilities of Banking Sector** (Total : a+b+c)	5,341	14,009	17,022	21,459	24,857	23,760	23,924	24,388	24,857	25,638	21,634
	(a) Time Deposits with Banks@	3,637	9,142	11,676	14,526	17,927	17,285	17,387	17,643	17,927	18,247	14,882
	(b) Net Non-monetary Liabilities of RBI	714	2,577	2,833	3,452	3,312	2,998	2,675	2,866	3,312	2,892	3,196
	(c) Residual (Derived)	990	2,289	2,513	3,481	3,618	3,477	3,862	3.879	3.618	4,499	3,556
8.	**M1 (Money Supply)** (3+4+5+6—7)	7,321	13,143	15,609	18,381	21,717	20,081	20,882	20,968	21,717	21,908	18,692

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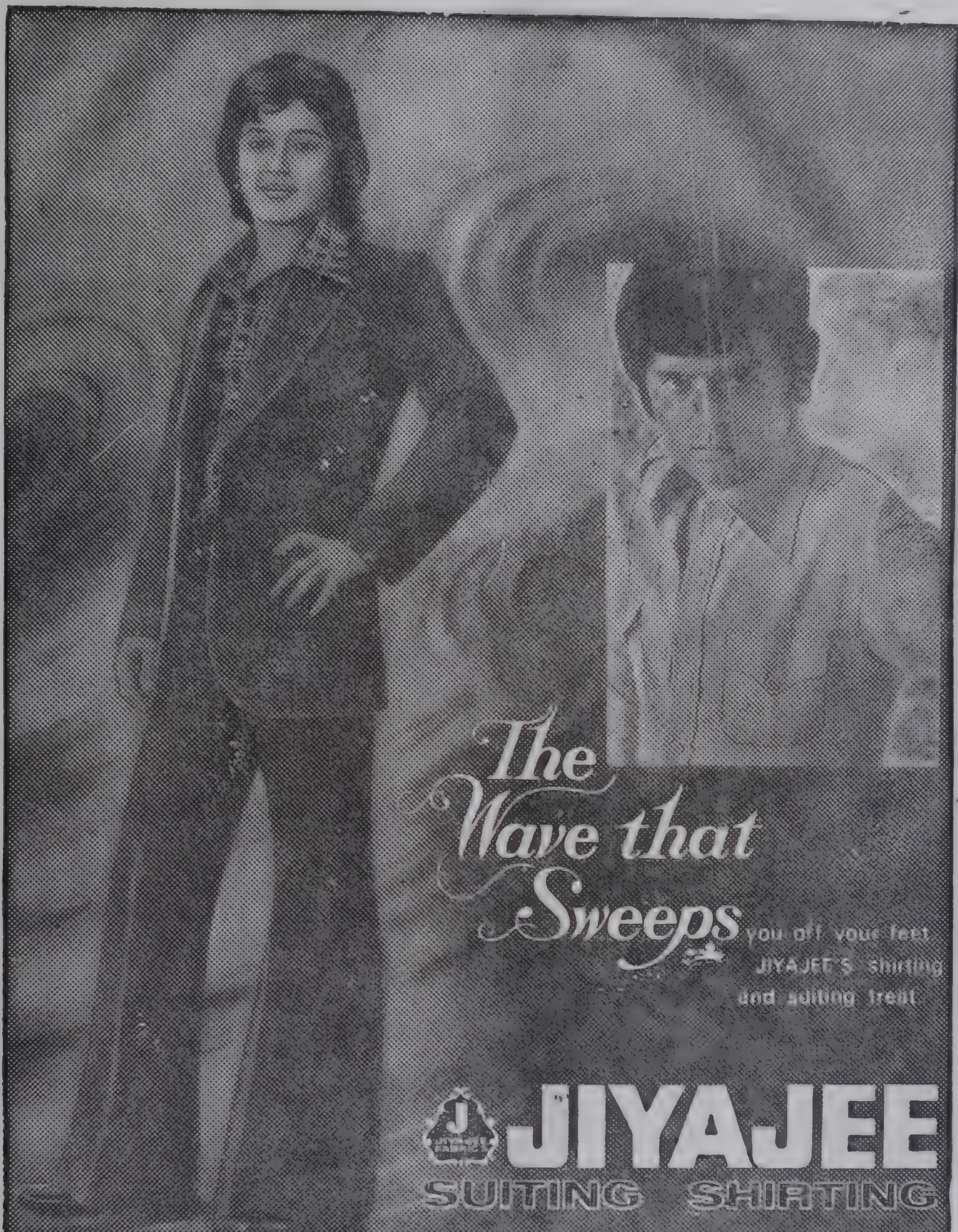
* Excluding Balances held in I.M.F. Account No. 1, Reserve Bank of India Employees' Provident Fund, Pension Fund and Co-operative Guarantee Fund and some extraordinary items. The amounts collected under the Additional Emoluments (Compulsory Deposit) Act, 1974 and the Compulsory Deposit Scheme (Income Tax Payers) Act are also excluded since August 16, 1974 and December 13, 1974 respectively.

** Includes Public Sector Enterprises.

@ Relate to Time Deposits of Scheduled and Non-Scheduled Commercial Banks, State Co-operaive Banks, Central Co-operative Banks and Primary Co-operative Banks.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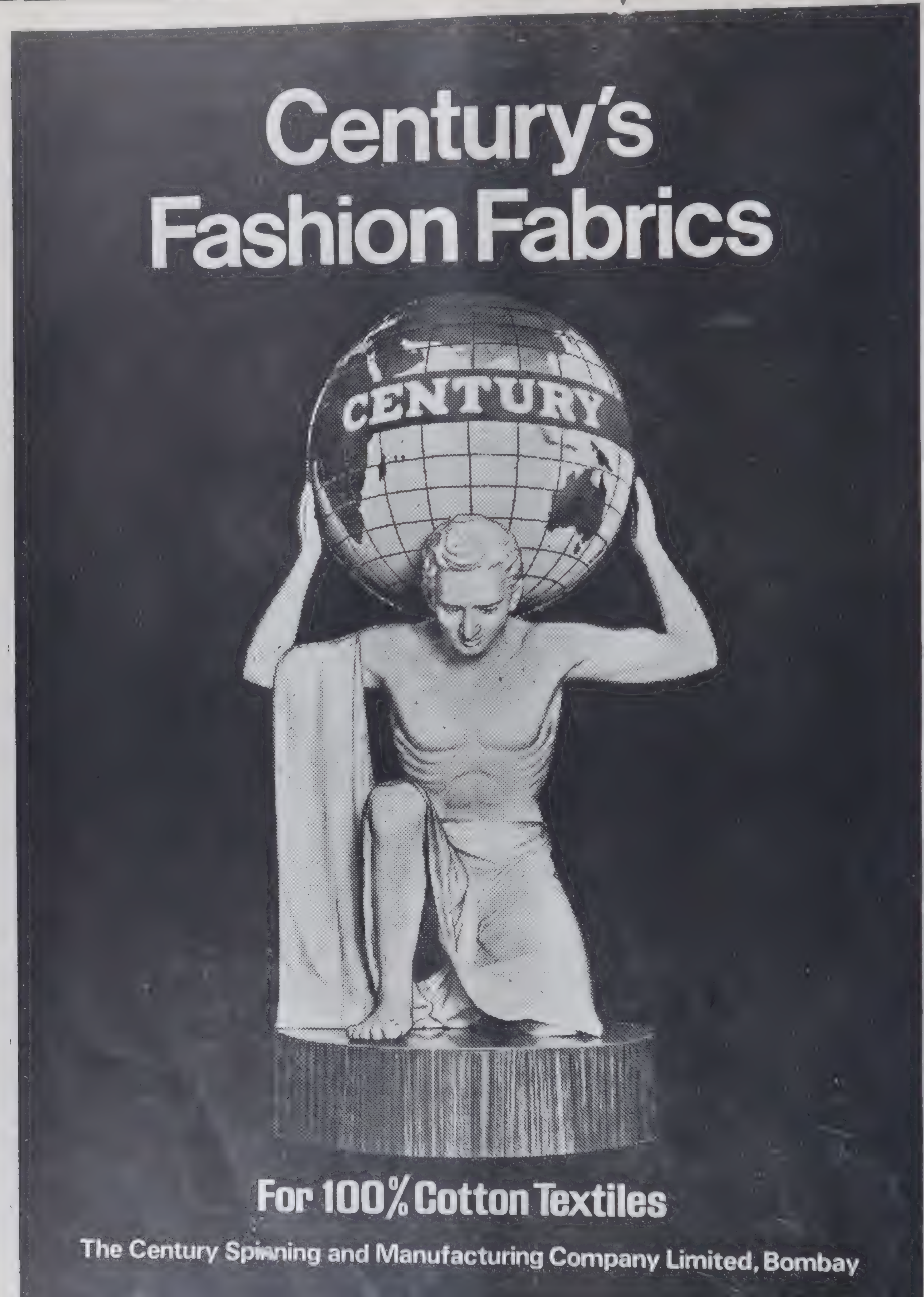

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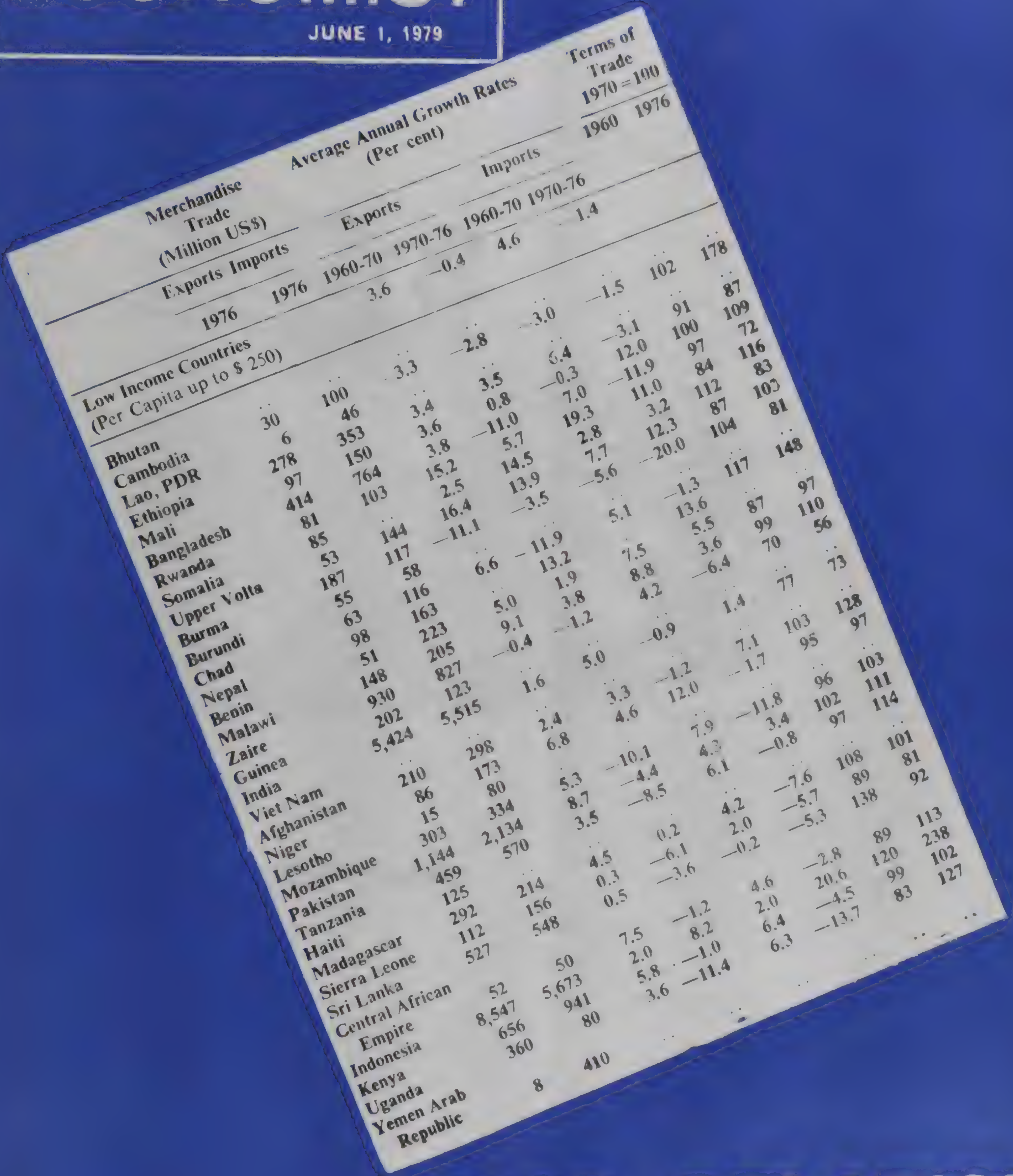
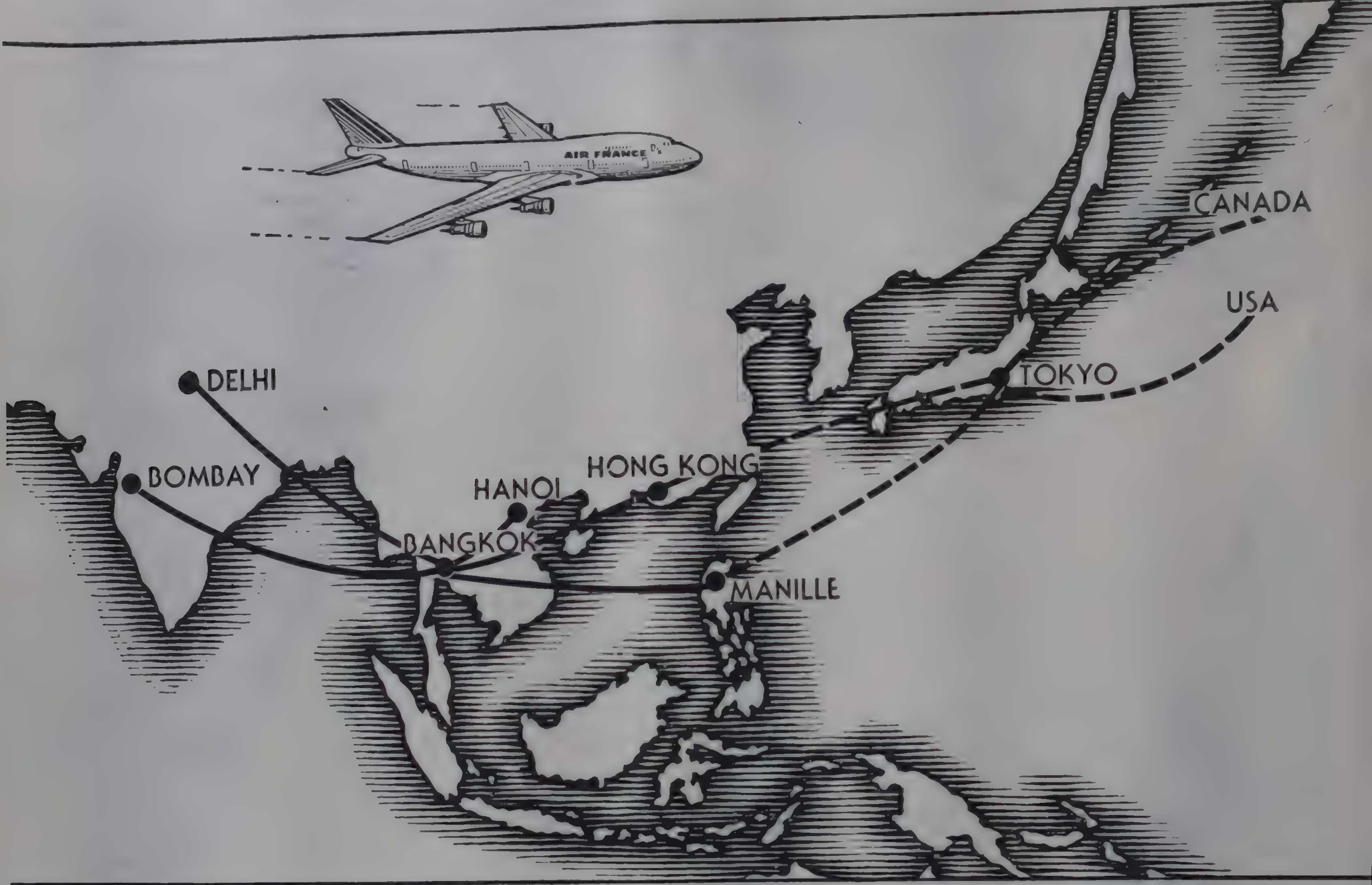


	Merchandise Trade (Million US$)		Average Annual Growth Rates (Per cent)				Terms of Trade 1970=100	
	Exports	Imports	Exports		Imports			
	1976	1976	1960-70	1970-76	1960-70	1970-76	1960	1976
Low Income Countries (Per Capita up to $ 250)			3.6	—0.4	4.6	—1.4		
Bhutan	..	..	..	..	..	..	..	..
Cambodia	30	100	—3.3	—2.8	—3.0	—1.5	102	178
Lao, PDR	6	46	..	..	..	..	..	..
Ethiopia	278	353	3.4	3.5	6.4	—3.1	91	87
Mali	97	150	3.6	0.8	—0.3	12.0	100	109
Bangladesh	414	764	3.8	—11.0	7.0	—11.9	97	72
Rwanda	81	103	15.2	5.7	19.3	11.0	84	116
Somalia	85	..	2.5	14.5	2.8	3.2	112	83
Upper Volta	53	144	16.4	13.9	7.7	12.3	87	103
Burma	187	117	—11.1	—3.5	—5.6	—20.0	104	81
Burundi	55	58	..	..	..	..	..	..
Chad	63	116	6.6	—11.9	5.1	—1.3	117	148
Nepal	98	163	..	13.2	..	13.6	..	..
Benin	51	223	5.0	1.9	7.5	5.5	87	97
Malawi	148	205	9.1	3.8	8.8	3.6	99	110
Zaire	930	827	—0.4	—1.2	4.2	—6.4	70	56
Guinea	202	123	..	..	..	..	..	..
India	5,424	5,515	1.6	5.0	—0.9	1.4	77	73
Viet Nam	..	..	..	..	..	..	..	..
Afghanistan	210	298	2.4	3.3	—1.2	7.1	103	128
Niger	86	173	6.8	4.6	12.0	—1.7	95	97
Lesotho	15	80	..	..	..	..	..	..
Mozambique	303	334	5.3	—10.1	7.9	—11.8	96	103
Pakistan	1,144	2,134	8.7	—4.4	4.3	3.4	102	111
Tanzania	459	570	3.5	—8.5	6.1	—0.8	97	114
Haiti	125	..	..	..	..	..	..	..
Madagascar	292	214	4.5	0.2	4.2	—7.6	108	101
Sierra Leone	112	156	0.3	—6.1	2.0	—5.7	89	81
Sri Lanka	527	548	0.5	—3.6	—0.2	—5.3	138	92
Central African Empire	52	50	7.5	—1.2	4.6	—2.8	89	113
Indonesia	8,547	5,673	2.0	8.2	2.0	20.6	120	238
Kenya	656	941	5.8	—1.0	6.4	—4.5	99	102
Uganda	360	80	3.6	—11.4	6.3	—13.7	83	127
Yemen Arab Republic	8	410	..	..	..	..	..	..

POOR RELATIONS

From India to the Far East.



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Will prices stabilise?

Has the current uptrend in prices exhausted itself? Opinions will differ on this crucial issue despite the fact that the Finance ministry sources feel that the price level, which has already gone up by about 7.5 per cent since the presentation of the central budget, should start stabilising.

In an informal meeting with the Forum of Financial Writers here last week, the secretary for Economic Affairs, Dr Manmohan Singh, who deputised for the deputy prime minister (F), Mr Charan Singh, owing to the latter's indisposition, asserted that although the price rise started in March following the central budget, it had not been wholly caused by the budgetary proposals. A major portion of the spurt, he stressed, had to be attributed to factors unconnected with the budget. These included seasonal influences, the adjustments which were necessary in the prices of some commodities such as gur, khandsari and sugar, steel, cement and vegetable oils, and the pressures emanating from the developments on the international oil front.

The Economic Affairs secretary expected that the prices of sugar, gur and khandsari would stabilise around their current levels; so also those of vegetable oils, steel and cement. His optimism about the price level attaining a reasonable stability for the rest of the year, however, has its genesis in the comfortable stocks of foodgrains, sugar and raw cotton that have been built up and the adequate arrangements that have been made already in regard to vegetable oils. These stocks, he felt, should help in containing the prices of four basic necessities which form bulk of the expenditure of an average household. The government, he further emphasised, had also sizeable manoeuvrability for effecting imports as the free foreign exchange resources continued to be comfortable. In spite of the reported re-emergence of smuggling in gold and some other items, the yawning gap in external trade last year and the recent happenings in Iran, the inward remittances by Indians abroad, he pointed out, had not been affected as yet.

He, however, hastened to add that price stability depended to no small extent on a reasonable performance in the infrastructure areas—power and transport in particular—and on the labour and oil fronts. Another factor that might upset all calculations, he observed, was the unrest among services which has manifested itself in the recent police agitation in various states. The structural adjustment in the prices of coal too had to be made as yet. The misgivings entertained in some circles that the upward trusts on the price level will continue in the coming months, thus, are not unwarranted. They are based on these very factors.

Dr Manmohan Singh pointed out—and quite appropriately—that there is a material difference in the country's capabilities of containing the prices spiral this year as compared to the position in 1973. The country, he said, has now greater manoeuvrability for effecting imports. It has also been able to build up impressive stocks of foodgrains. The recent agricultural breakthrough is another helpful factor. There were as well indications that the investment in the economy had picked up. He estimated this pick-up around 10 per cent per annum over the last three years. An important revelation made by him in this regard was that the sanctions by the term-lending institutions as well as disbursements by them for setting up industries in the private sector had nearly doubled from Rs 640 crores and Rs 435 crores in 1975-76 to Rs 1,326 crores and Rs 891 crores in 1978-79, respectively. The savings rate of the economy, he added, had also gone up to as high a level as 22.5 per cent.

The government's concern over the price level, however, is evident from the anti-inflationary measures which are being thought of. If the resource mobilisation by the states does not pick up and their non-plan expenditure grows substantially, as is feared, following the concessions announced to the police force, the overall deficit that may have to be resorted to this year would be substantially more than anticipated by Mr Charan Singh. This is bound to exert upward pressures on the price level.

It also remains to be seen whether monsoons will continue to behave as well this year as they have done in the last three years. Some fears are being expressed in this regard because of the cyclical nature of rainfall. The failure of the monsoons will not only create difficulties on the food front next year—this year, we have adequate stocks—but also make the power supply position difficult, notwithstanding the fact that increases in the generation capacity in the past two years have been at a more rapid pace that had been the case earlier. It needs mention here that last year's easier availability of power was primarily due to an impressive increase in hydel generation.

credit constraints

In an effort to contain the impact of expansion in money supply on the price level, the Reserve Bank of India last week proposed some credit constraints. The Finance ministry feels that whereas some restraints on credit are essential, care will have to be taken that credit for production purposes is not hampered. It is well appreciated that purely monetary polices and tighter credit are not the solutions to the economic problems of the country today, as commodity stocks are primarily financed by non-bank money. It is difficult to say whether the other two components of bank credit, namely, advances to the government and the export-import sector, can be contained effectively. Some moderation of the increase in money supply, nevertheless, is considered imperative.

The government is expected to finalise its anti-inflationery package in the next few days. In spite of the limited efficacy of the monetary policy, serious thought, it is understood, is being given to an upward revision of interest rates. One per cent raise in the bank rate too is being talked of.

A major step to contain the demand pull in the economy, which is understood to be under consideration, is the compulsory impounding of a major portion—75 per cent—of the increase in dearness allowance, wages and bonus as was done four years ago.

In view of the growing shortages of coal and steel, exports of these two commodities have already been banned; only the commitments already entered into are to be fulfilled, including those relating to the normal supplies of coal to the neighbouring countries. To keep the food stocks at a safe level, at least till the behaviour of the monsoons is clear, exports of foodgrains also are not to be encouraged. The same applies to such other commodities as vegetables, fruits and meat. A cautious approach towards the expansion of the food-for-work programme also is not ruled out. The ministry of Industry is contemplating prevailing upon the manufacturers to roll back the prices of such items as paper, tyres and tubes to lower levels, as has been done in the case of textiles. Controls, it is indicated, might be necessary if the manufacturers do not desist the temptation of putting up their prices.

The Planning Commission is understood to have cautioned the central government that the present uncertainty about the government policy regarding nationalisation and the continuance of a number of constraints will create difficulties on the prices front, as speculative forces would be encouraged to create artificial shortages. It has as well stressed that effective measures should be taken to ensure that small-scale units acquire the ability to meet the additional demand as the manufacture of a large number of items has been reserved for this sector.

Both the Planning Commission and the ministry of Finance agree that the economy at present is very delicately balanced. Severe inflationary pressures will have to be encountered in the absence of strict economic discipline and skilful management of demand and supply. The return on national savings and investments is considered to be inadequate. It has to be stepped up a great deal.

Produce more

THE HINT given by the minister for Industry, Mr George Fernandes, at the last week's annual general meeting of the All India Management Association in New Delhi that the government might consider creation of new capacities in industries wherever shortages persist, even though the utilisation of the existing capacities in these industries might not exceed 70 per cent, needs to be welcomed. But this has to be done in a very judicious manner as indiscriminate additions to capacities, without regard to the in-

WITH THE POLICE STRIKE SPREADING, IT WILL BE SOME TIME BEFORE WE EFFECT THE ARREST OF RISING PRICES, RIGHT?
CABINET MEETING
Kevy

frastructure facilities available and the supplies of inputs might create innumerable new problems instead of resolving the shortages. The equipment and machinery in the case of several industries, undoubtedly, cannot be worked to 100 per cent capacity in India due to such factors as below-optimum productivity of our work-force and the country's climatic conditions. In such cases, there is obviously a legitimate case for allowing additions to capacities on norms different from 100 per cent utilisation. The additions may also be necessary in certain other cases, for instance, in cases in which chronic labour trouble hampers operations. But if the utilisation of capacities is low because of such factors as inadequate supply of raw materials, difficulties of power, occasional setbacks to industrial peace, transportation bottlenecks, etc., the remedy to the elimination of shortages does not lie merely in authorising the setting up of additional capacities but in endeavours at mitigating the rigours of these factors. Additional capacities apparently will have to be put up at a heavy cost which the economy can ill-afford when investment resources are limited.

exorcising phobias

Another point that needs to be stressed in this regard is that, very often in the past, additions to industrial capacities have been discouraged—and even not allowed—on such considerations as the phobia with concentration of economic power in the hands of a few, the already licensed capacities being considered adequate even though no steps might have been taken by the licensees to implement their licences, the obsolescence of machinery and equipment not being given due regard in derating the existing capacities, etc. Whereas some steps have been taken in the recent past to weed out licences which had remained unimplemented for long, no concerted attempt has been made to realistically assess the effective capacities available for production in many areas. This task ought to be attended to seriously.

The additions to capacities can also be expedited a great deal if unnecessary delays are not allowed to occur in the setting up of new plants. It cannot be denied that the time taken from the laying of the foundation of a project to its being put on stream is much longer in this country compared to international standards. Some delays cannot be obviated, especially when the projects are located in the backward areas where infrastructure facilities have also to be built simultaneously. But even in the case of projects which are put up in areas where infrastructure facilities are well developed, delays do occur—sometimes owing to the preliminaries not being attended to fully or construction materials and machinery and equipment not being available according to the desired schedules. Most of the travails of new industrial units, as a matter of fact, should end if the shortages of basic construction materials can be eradicated and the number of the rules and regulations to be adhered to can be reduced.

The monthly column "Books Briefly" will appear in *Eastern Economist* dated June 8.

It also needs to be emphasised that in the interest of rapid creation of new capacities at low costs, the existing plants should be allowed to be expanded without bringing in non-economic considerations into play. The H.P. Nanda committee on industrial licensing procedures has very appropriately stressed that not only the industrial units in the core sector with assets of Rs 15 crores be granted exemption from licensing but also the limit of Rs 20 crores for MRTP companies be raised to Rs 45 crores. Only when a company is a dominant undertaking or if the value of its assets exceeds Rs 45 crores, should it be covered by the MRTP Act. This is urgently called for because the situation has undergone a sea-change since the above norms were fixed. The inflationary tendencies in the economy have rendered the norms relating to value of assets meaningless.

Another very judicious recommendation of this committee which can be implemented forthwith is that an automatic annual growth of five per cent compound or 30 per cent for a five-year period in the registered and licensed capacities should be permitted to all industries, including dominant undertakings, without any conditions attached. An industrial undertaking always tends to grow sick if its normal growth to the optimum level is stalled. Horizontal proliferation of companies, whether they are MRTP companies or not, too needs to be encouraged, as this is a powerful instrument for diffusion of economic power.

Fears that liberalisation of licensing, as suggested by the Nanda committee, would tend to accentuate concentration of economic power in the hands of a few seem to be unwarranted. The major beneficiary of most of the recommendations of the committee will be the public sector units which in many areas of industrial activity have come to occupy commanding heights. As the decentralised sector of the economy has already been protected from competition from the large-scale units in over 800 industrial products through reservation of their production in this sector, the medium and large-scale units in the other industries, particularly in those which produce industrial intermediates and products on which the decentralised sector depends for its existence, require to be released from unnecessary shackles.

Dynamic darkness!

Mr S.L. Kirloskar's inaugural address at the annual general meeting of the Indian Chamber of Commerce, Calcutta, on May 15 was notable for some thought-provoking ideas on the problems of economic development. He said that the Janata government was laying emphasis on the creation of wasteful rather than gainful employment. He wondered how more jobs could be created on a large scale if consumption was to be deliberately curbed by means of high taxation and in other ways. In the absence of a steady increase in consumption, there would be little incentive to investment and, consequently, employment opportunities would not expand. He pointed out how high taxation, abolition of the managing agency system and introduction of various controls and restrictions had contributed to stagnation in economic growth.

Mr Kirloskar suggested that the Planning Commission should be abolished since it had failed to improve the economy. But he did not make out a convincing case in favour of this proposal. It is true that, in spite of implementing five five-year Plans, we are faced with shortages, high prices and massive unemployment. But at the same time, have there not been any positive achievements?

burgeoning surpluses

For instance, Mr S.K. Birla said in his presidential address that we had at present "a comfortable foreign exchange position, the reserves having climbed to Rs 5,100 crores". He remarked that the most significant trend in the Indian economy in the recent years had been the rapid strides taken by the agricultural sector, that scientific approach to the traditional problems of agriculture had produced fruitful results, and that agriculture had emerged as an industry in its own right. He further observed that "the burgeoning surplus of agricultural produce not only means an increased cash income, leading to increased purchasing power for the farmer but also holds out other beneficial implications for the country's economy". Cannot the Planning Commission take some credit for these achievements? Mr Birla recalled that in the early sixties we had achieved a growth rate in industrial production of the order of 12 to 13 per cent per annum. Was not the Planning Commission also responsible for this spectacular result? Mr Birla said that there was no reason why even at present we could not have an annual growth rate in industry of 12 to 13 per cent. In other words, Mr Birla did not seem to share Mr Kirloskar's view that the abolition of the Planning Commission was necessary in order to enable the country to achieve faster progress.

Mr Birla also referred to the poor performance of the public sector and the breakdown of public services. As a result, "a sense of apathy and frustration has gripped the people". He said that in this situation, talks of further nationalisation and take-overs were irrelevant. He pointed out that around the world it was the free market economy and encouragement of individual initiative which had brought about "the widest gains to the maximum number".

Mr Birla expressed concern at the critical situation confronting the economy of West Bengal due to the power shortage, labour unrest and high taxation by the state government. He referred to the "dynamic leadership" of Mr Jyoti Basu. But at the same time, he observed that "we are living in the midst of man-made darkness" and that "had it not been for Kirloskar engines, perhaps Calcutta would have been still darker". But can darkness and dynamism go together?

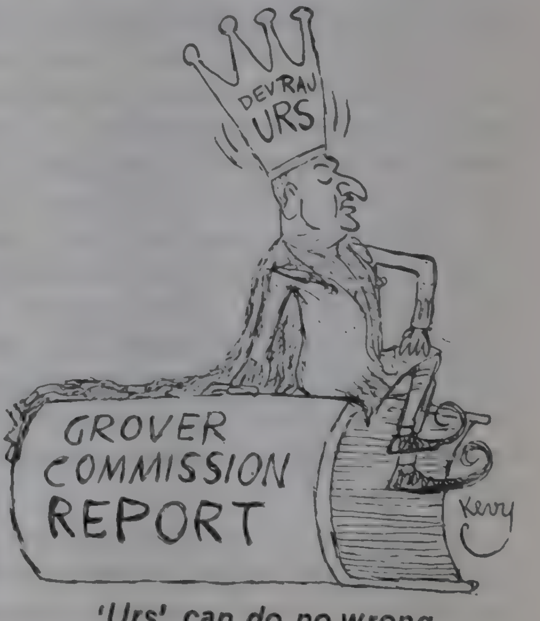
East zone confers

An important decision taken at the meeting of the Eastern Zonal Council, which was held in Bubaneshwar on May 17, related to the creation of additional capacity for power generation. It was proposed to set up a large power plant for which funds were to be obtained from the central government. The details of the discussions at the meeting have not been disclosed as yet, but it is significant that the state governments in the eastern region have realised the need for proper planning of their power requirements. The central Home minister, Mr H.M. Patel, who presided over the meeting, said that a hydel power station could be set up in Orissa. Meanwhile, it was resolved to continue with the present arrangement for the exchange of power among the states of this region, though no agreement could be reached regarding a uniform rate at which power was to be supplied by one state to another.

Deficiency in the supply of power has been a major factor which has retarded the economic growth of the eastern region. It is, therefore, strange that even in the draft sixth Plan, adequate provision has not been made for the power sector. The Plan provides for the creation of additional capacity in the period 1978-83 of only 3,407 MW in the eastern and north-eastern region, compared to 5,855 MW in the western region, 4,765 MW in the northern region and 4260 MW in the southern region. West Bengal's Finance minister, Dr Ashok Mitra, has described this provision as "an agenda for promoting not development but under-development". The eastern states, therefore, are justified in asking for more funds for power generation. At the same time, these governments should also ensure that their administrative system is able to manage the power plants efficiently. The scandalous power situation in West Bengal and Bihar is certainly not due to dearth of funds or technical assistance from the centre but mainly because of poor management and labour indiscipline.

The meeting also reportedly decided to draw up special programmes for the economic uplift of Adivasis and Harijans and for effectively checking the growing trend in criminal activities. New Delhi should take greater interest in these and other problems of the eastern region. The zonal council should meet more frequently and play a more useful role in promoting the development of the region. There was no justification for the council for not meeting for as long as four years. The governments of the region also should cooperate among themselves to a much greater extent since their economies are complementary to one another. A common approach will help to pool their resources and achieve better results as, for instance, in promoting tourism.

The fact that West Bengal and Bihar



'Urs' can do no wrong

have not been able to settle their dispute over two border villages seems to indicate the lack of an earnest desire for actual cooperation. The area under dispute covers about 800 hectares and has a population of only 2,000. Yet, the dispute has been allowed to drag on for two decades. "This is a matter of shame", said Mr Patel, who advised the chief ministers of Bihar and West Bengal to look at the problem from the people's angle. It, indeed, is surprising that the intervention of the central Home minister was needed to resolve this petty dispute.

George the jute baron

WEST BENGAL's Agriculture minister, Mr Kamal Guha, recently expressed serious concern at the decline in raw jute prices and deplored the unhelpful attitude of the central government and the Jute Corporation of India (JCI) in not giving a fair deal to the cultivators. He strongly criticised their "severe exploitation" by the JCI and pointed out that the state government had not been able to assist the cultivators adequately because of the "conspiracy and collusion" between the jute industry and the JCI. The parliamentary committee on Public Undertakings has also indicted the JCI for its failure to play its role effectively in protecting and promoting the interests of the cultivators. In this context, how far is it realistic to expect the scheme of monopoly procurement of raw jute, initiated by Mr George Fernandes, to be implemented smoothly?

At a meeting of the Cooperation ministers of the jute growing states, convened in New Delhi on May 14 by the Industry ministry, it was decided to introduce monopoly procurement from the next year and, in the meanwhile, to raise the procurement target for 1979-80 to 2.5 million bales out of an estimated crop of 78 lakh bales. Mr Mohan Dharia, the Commerce minister, has also enthusiastically endorsed this scheme since it is expected to give a remunerative price to the jute cultivators. But it seems doubtful indeed if it can be enforced in such a manner as to provide a reasonable incentive to the farmer and, at the same time, make adequate supplies of the fibre to the mills at the prices they can afford.

The ministries of Industry and Commerce must be surely aware that the JCI and the cooperatives have neither the experience nor the expertise nor the necessary infrastructure facilities to undertake procurement operations on such a large scale at short notice. In the last season, the JCI procured only 600,000 bales and the cooperatives 200,000 bales. The JCI and the cooperatives together could procure only 10 per cent of the production. At no time in the past could they procure more than 12 per cent of the total crop. What will happen if the public sector agencies are unable to reach their target of procurement? Will the private traders be allowed to operate and sell only to the JCI? There are also several other relevant issues to which the government of India does not seem to have given adequate thought. For instance, on what basis is the price payable by the mills to the JCI to be fixed? This will, of course, depend on various factors including the cooperatives' commission, JCI's profit margin, cost of transport, storage and so on. It is necessary to ensure that the mills are able to get their supplies at economic prices so that they can continue to compete in foreign markets. The industry has been suffering heavy losses due to power cuts, estimated at Rs 9 crores in March and April, and in the coming months this situation seems unlikely to show much improvement.

Mr Fernandes and Mr Dharia have shown little sympathy towards the jute industry and this attitude is clearly reflected in the decision to import gunny bags from Bangladesh. Mr Jyoti Basu has protested to the centre against this decision, but he did so only about a fortnight after it was taken. He has expressed surprise at the fact that the state government was not informed about this decision at the right time. Is this not a reflection on the department of Industry and Commerce of the state government which ought to have kept in close touch

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with the developments in this major industry? It is hoped that Writers' Building is at least aware of New Delhi's decision to introduce monopoly purchase of raw jute and its implications for the state's economy. West Bengal's share in procurement this year has been fixed at 1.5 million bales—800,000 bales by the cooperatives and 700,000 by the JCI. Has the state government geared up its administrative machinery to cope with this responsibility?

What price rice ?

THE DEMAND for a higher procurement price of Rs 130 per quintal of paddy at the agriculture conference organised by Tamil Nadu Janata party recently and the insistence that the charge for electricity used for agricultural purposes should be only 10 paise per unit have brought to the fore the important question how the cultivation of different crops should be carried out in Tamil Nadu for securing a remunerative return to the farmers. The suggestion of the state government that higher prices for paddy should be fixed for quantities procured and tendered to the pool, apart from sales through fair price shops involves a major policy decision on the part of the central government. Also, what exactly is the role of procurement prices and how should regional cost variations be taken into consideration for fixing support or procurement prices ?

The case for a higher price for paddy is certainly unassailable as the adjustments in recent years have been made from a base which was much lower than that of wheat. But it has been justifiably observed that the benefits of new techniques of cultivation in respect of paddy have been recently more pronounced and even with higher costs of inputs unit costs have been kept down from rising awkwardly. However, the problems of Tamil Nadu are peculiar in some sense as agricultural workers are paid much better than in other areas and lift irrigation, which is more costly than irrigation through the projects of the government, accounts for much larger portion of the total area under cultivation than in other regions. The consumption of energy for agricultural purposes is more than 25 per cent of total power generation and involves a subsidy of Rs 55/60 crores annually.

The farmers in Andhra Pradesh, Karnataka and Punjab and elswhere may well consider that the facilities in Tamil Nadu are far more advantageous and the profitability of agriculture in their regions will be much more attractive if the state governments concerned can make similar gestures. Tamil Nadu however has great disadvantage of paucity of water resources and without projects for linking river systems for diverting surplus waters of Kerala and Andhra Pradesh, the cost of cultivation is bound to increase over a period.

farmers' aspirations

Since there are no restrictions over the movement of foodgrains and sugar throughout the country the return to the grower is determined by the prices realised in open market and the influence that procurement prices have on the determination of these prices. As the central government itself is anxious to minimise subsidies on sales through fair price shops and is at the same time keen on preventing an undue increase in endprices, the objectives can be achieved only with a moderate increase in procurement prices and a gradual reduction in the quantum of subsides.

The Tamil Nadu government cannot, therefore, hope to satisfy fully the aspirations of the farmers without adopting intelligent crop planning and removing also the disabilities now encountered by cane growers. The yield of rice is very satisfactory at over six million tonnes on 2.75 million hectares and there is not much scope for extending the area and yield without water management schemes and intensification of cultiration. In view of the abundance of rice from Andhra Pradesh and the possibility of big increase in rice cultivation in Karnataka with the completion of new irrigation projects, it has to be examined whether more of cotton and oilseeds cannot be produced with multi-cropping through rotation or raising of third crops in summer months. The output of groundnut can certainly be increased substantially from the present level of 1.2 million tonnes, unshelled, by 25 per cent with better cultivation techniques and stabilisation of water availability.

As regards sugarcane the growers have a special disability, the incidence of purchase tax and cess works out to Rs 22 per quintal of sugar against Rs 14 in Andhra Pradesh and Rs 17 in Karnataka. With a free market in sugar and disabilities regarding the disposal of surplus of this commodity in the shape of freight disadvantage, apart from lower recovery, there is no justification for continuing a levy of 12.7 per cent ad valorem on cane plus a cess of Rs 5 per tonne. The Southern India Sugar Mills Association has pleaded for a reduction in the quantum of purchase tax and cess besides postponement of payment on an interest free basis. The levy of a heavy purchase tax and cess has also depressed cane prices. The registered acreage cannot be increased substantially by factories when they are not realising remunerative prices for sugar. The state government should therefore carefully review the potential for agricultural development and initiate an appropriate scheme for crop planning.

Justified appraisal

THE DECISION of the central government to set up a committee under the chairmanship of Mr R.R. Murarka to study the working of the Food Corporation of India (FCI) in all respects will be widely endorsed. Notwithstanding the herculean efforts which this public sector undertaking has made, particularly during the last three years, for the procurement of foodgrains in the country, its operations need to be streamlined if for no other reason than to contain the burden of food subsidy.

It is true that the above burden has gone up substantially in the recent past—currently it exceeds Rs 550 crores per annum—because of the successive increases effected in procurement prices and inadequate step-up in the issue prices with a view to facilitating the green revolution and containing the prices spiral. Yet some reduction in it should be possible if the procurement and distribution charges of the FCI can be brought down further.

The procurement charges are claimed to have been reduced already from Rs 19.5 per quintal in 1975-76 to about Rs 17.85 last year in the case of wheat. But they are understood to have gone up during this period from Rs 8.06 a quintal to Rs 10.72 in respect of rice. The distribution charges, similarly, have been brought down during this period from Rs 16.54 a quintal to Rs 14.83, primarily through such measures as containing the loss of foodgrains in storage and transit to within one per cent of total purchases and sales in normal circumstances. The contemplated additions to the covered storage capacity and the endeavours at judiciously recycling the old stocks should have further salutary effect on these charges. But it is difficult to agree with the contention of the FCI that the present structure of these charges is inelastic due to various factors which include the cost of storage, gunny bags, transportation, mandi charges, state government administrative charges and purchase tax.

There is apparently some scope for reducing the above charges further through rationalisation of the movement of grains and containing administrative costs. The data available suggests that although the annual procurement in the country since the turn of the current decade has not gone up by more than 50 per cent, the strength of the employees since then has increased by as much as 76 per cent.

The increase in the staff strength appears to be disproportionate even if allowance is made for the increase in the stocks the FCI is obliged to service and the efforts being made by it for augmenting the permanent storage capacity. Another pertinent fact to be noted in this regard is that the governments of the surplus producing states are clamouring for a greater involvement of their agencies in the procurement operations. There is as well a case for reducing the number of deputationists to the FCI. This will not only help in effecting a good deal of saving in staff expenses but also promote the career opportunities of the permanent staff of the organisation which undoubtedly has a greater stake in its fortunes than the deputationists can ever have.

The containment of staff costs has assumed even heightened significance at the present juncture as there is a demand from the casual workers for being permanently absorbed in the organisation. Deployment of contract and casual labour is not an uncommon phenomenon in agricultural operations and the agencies connected with them. The procurement operations are currently limited primarily to a couple of months immediately after the harvest. The situation, of course, may change if differential procurement prices are introduced, as suggested by the deputy prime minister (F), Mr Charan Singh, and the minister of state for Agriculture, Mr Bhanu Pratap Singh. If this proposal is accepted, the procurement operations can be spread out throughout the year. But even then rationalisation of staff will have to be effected. Yielding to the demand of some labour unions for the absorption of all casual and contract work-force, undoubtedly, will raise substantially the operational costs of the FCI. Sectional interests should not be allowed to jeopardise procurement operations which have to be completed before the onset of the monsoon.

The Andhra calamity

Andhra Pradesh has been stricken by two disastrous cyclones in almost identical area within 18 months. Such ravage of highly prosperous agricultural region has not been experienced in recent memory except in 1969 when there were two cyclones in May and November. The latest visitation by a hurricane with a core of 200 km has probably no parallel in this century as even the harrowing disaster of 1977, when there was a heavy death toll, pales into insignificance. The recent cyclone was unpredictable in its course though it was closely tracked even when it was located 1500 km south-east of Nagapattinam. It was first thought that it would strike the coast between Pondicherry and Madras. Subsequently, it was expected that the crossing would be between Madras and Nellore, even while it was hoped that the hurricane would turn north-east and devour parts of Bangladesh coast.

These predictions did not materialise and the hurricane hugged the coast from Nellore to Machillipattinam, though it technically crossed into the interior between Nellore and Kavali. The core covered a larger area and nearly five districts were affected. Because of the earlier warning by the mateorological department, the people in the low lying areas and near the sea were evacuated to safer places. The death toll may be around 700 even taking into account unreported cases. The cattle population also has perished in large numbers. But the damage to properties has been severe. Roads, telecommunications and railways have been badly breached and disrupted. The affected areas were cut off from the rest of the country for nearly a week. No reliable estimate of the damage is yet available. But it may probably be Rs 1,000 crores—even more. How the resources will be found by the affected people is too early to visualise.

The state government has moved into action swiftly and there will surely be restoration of communications by road, rail and telephone in the next few weeks. However, the repairs to tanks, irrigation systems and bleaching of land affected by salinity of sea water will be a long process and the government departments and lending institutions will have to create special cells for tackling the problems and mobilising the financial and physical resources. As the same area between the Gudur and Eluru has been affected, engineers and economic experts will have to examine how the impact of the disasters can be minimised with better construction of minor irrigation works, crop planning, realignment of road, creation of casurina plantation belts and the like.

Andhra Pradesh, however, has lived and progressed in the midst of these disasters and a calamitous view of the future should not be taken simply because there has been a repetition of cyclones within 18 months. It should be possible to tackle the problems of the affected area effectively by reorganising its infrastructure and minimise the losses that may be suffered by the poorer sections of the population.

Pindi plans

THE EXTERNAL Affairs minister, Mr Atal Bihari Vajpayee, on his return from a visit to Kuwait, the UAE, Iraq and Syria, has stated that the governments of these four countries have assured him that they are not extending any financial or technical assistance to Pakistan in acquiring nuclear weapon capability. According to him, these governments in fact ridicule the very concept of an "Islamic nuclear bomb". Rawalpindi no doubt will find in these observations considerable ground for satisfaction because of its keen interest in counteracting worldwide speculation about the true nature of the Pakistan government's current concern with the development of nuclear technology. Meanwhile, Pindi is naturally interested in securing full publicity for denials of any covert collaboration by west European firms with its nuclear technology programmes which could be exploited for the purpose of fabricating material for making an atomic bomb.

Thus, according to information stated to be emanating from Berne, two Swiss firms, accused of supplying Pakistan with equipment which could be used for producing an atomic bomb, have denied that they have been involved in the sale or transfer of any strategic material. The companies concerned have claimed that the sales had been sanctioned in 1977 by the Swiss Energy Supply Office, which had acted on the view that the transactions would not violate official curbs on exports of nuclear material. Somewhat intriguing is the phrasing of the statement attributed to the Swiss firms that "none of this equipment could contribute *directly* to the nuclear process" (italics ours). It is equally interesting that the Swiss government has admitted that the United States has informed it of reports that these firms were selling to Pakistan equipment which could be used in plants producing enriched uranium.

While India's concern over Pakistan's nuclear intentions is natural and is unlikely to cease until more solid evidence is forthcoming in refutation of the suspicion which is being entertained in many world capitals, including, most emphatically, Washington, that Pakistan's nuclear installations may be less innocent than they may seem, it is surely necessary that, as a well-meaning neighbour, India should also show friendly curiosity about the economy of Pakistan and its development. Unfortunately, the Indian press as a whole does not seem to be greatly interested in this field, as is evident from the fact that most of what is published in this country about Pakistan is speculation of varying degrees of reliability about post-Bhutto politics in that country. Important though matters relating to Pakistan's political stability are to our government or people, it is surely not less relevant to their stake in the welfare of the sub-continent that Rawalpindi should soon be able to revive the process of the country's economic development.

When the present government in Pakistan says that for the greater part of the seventies that country's economy was going downhill, it will not be right to dismiss this merely as expedient propaganda against the earlier regime or regimes. The average growth rate from 1973-74 to 1976-77 slumped to 3.4 per cent a year and this pushed down the improvement in per capita income to less than one per cent per annum. The growth in the industrial sector was no more than 2.9 per cent, but what crippled Pakistan's economic growth very much more seriously was the decline in the rate of increase in agricultural output which was barely two per cent as compared to 6.4 per cent during the sixties.

Although there was no development planning worth the name, the country still grew to depend heavily on foreign assistance which is estimated to have contributed at times up to 88 per cent of total investment in a year. Meanwhile non-development annual expenditure has escalated from $860 million to $1.9 billion in less than six years, encouraging the trend to deficit financing which rose to $571 million in 1976-77. In these circumstances it was not surprising that the annual compound rates of growth of money supply and inflation were marching hand in hand at a speed going up by about 18 per cent. The balance of payments deficit rose to $902 million and the cumulative current account deficit for the period 1972-77 was $3.4 billion. The outstanding external debt doubled to $6.3 billion between 1971 and 1977.

The present government claims that its effort to stabilize the economy has been at least modestly successful. The agricultural sector is claimed to have shown a growth of 4.3 per cent during 1977-78 and the manufacturing sector 4.7 per cent. It is admitted however that the brighter farm picture was due mainly to a recovery of over 30 per cent in cotton production. Pakistan, indeed found its food deficit further aggravated by a decline of six per cent in the wheat crop. Exports were up by 7.3 per cent, thanks chiefly to raw cotton shipments, but a liberal import policy saw to it that the adverse balance of trade was growing more adverse. However, remittances from abroad helped to correct the overall balance of payments which had shown a deficit of $309 million during 1976-77.

inflation curbed

Right now the government asserts that it has brought the price level under control by bringing down the previous double-digit inflation to a rate of increase of 6.9 per cent in the consumer price index. Current estimates are that the real GDP growth in 1978-79 should be found to work out at some 6.2 per cent, with agriculture growing by 5.7 per cent and the output of large-scale industrial units contributing a 10.8 per cent increase as its share to the aggregate rate of growth of 8.9 per cent in the manufacturing sector. A good part of the immediate success of the Pakistan economy will depend on an improvement in wheat production, for its food base urgently needs to be stabilized.

Pending this, the government of course would do well to take sufficiently seriously its own profession of a commitment to non-inflationary means of financing the national budget. This year, however, the budget has expanded by 13 per cent to $4.36 billion, inclusive of a rise of 18 per cent in the size of the annual development programme which stands at $2.22 billion. These higher projections of outlays will certainly tax the efforts of the government to raise resources along non-inflationary lines. Quite possibly the government could receive much needed aid and comfort from a recovery in the private sector and trade to which incentives are being offered as a matter of deliberate policy aiming at stimulating production and investment and thereby ending the prolonged stagnation in the earlier years of this decade without reviving inflationary pressures.

Its new five-year plan has proposed a development outlay of $6.26 billion in the private sector and $14.94 billion in the public sector where the emphasis will be on agriculture and the building up of the infrastructure for both farms and factories. At the macro-level, a rise of 7.2 per cent per annum is aimed at in respect of the GDP growth and this is expected to yield an annual improvement of 4.2 per cent in per capita income. But, as has been suggested here earlier, much will depend on Pakistan stabilizing the food base of its economy and it is important too that major industries such as fertilizers, cement, textiles, sugar and vegetable ghee should really begin to grow in a manner consistent with the economy's need for a solid material base for raising production and consumption, A noteworthy point is that in Pindi too there are wise men cautiously pleading for the virtues of keeping the plan rolling.

accent on saving

This prudence has much to say for itself, seeing that the planners are committing themselves to financing three-fourths of the aggregate of the development outlay of $21.21 billion through national savings. The development aid outlook for Pakistan is not very bright just now. This is partly due to the United States having already placed an embargo on the flow of aid funds because of Washington's suspicion that Pindi is engaged in developing nuclear war capability and partly because a recent IMF review seems to have concluded that Pakistan currency has to be devalued before the economy could be really stabilized. Against this background, Pakistan will certainly have to make a very strong case in favour of its plea to the World Bank consortium for a new aid commitment of $800 million during 1979-80 fiscal year. Simultaneously it is also seeking the rescheduling of 75 per cent of its repayment over the next four years so that it could get an annual relief of between $240 million and $400 million.

Nepal: breaking the ice

INDIAN INTEREST in political stability in Nepal, which can be ensured only by a strong government enjoying the trust and support of the people, can be second only to the concern of the Nepalese people themselves with such an indispensable dispensation. Consequently, signs of unrest in that country have necessarily been causing anxiety to the people and government of India although the obligation of non-interference in the internal affairs of a friendly neighbour is being scrupulously discharged as much in India's own interest as in that of Nepal. All the same, there has been a positive reaction in New Delhi to the announcement by King Birendra of his decision to hold a referendum to ascertain whether the people of Nepal would wish for the partyless panchayat system to continue, but with reforms, or favour a return to multi-party democracy. The principal gainer from this move is probably the king himself since his credibility as a responsible and responsive ruler has been dramatically strengthened overnight. Recent history has been only too crowded with cases of breakdown of communication between governments and peoples.

The statesmanship displayed in Kathmandu has therefore generated relief and, beyond relief, great and good cheer as much outside the borders of Nepal as within Nepal itself. All the more so because King Birendra's good faith has been so readily taken for granted even by his political opponents. The former premier, Mr. B.P. Koirala, has hailed the king's move as a patriotic act in keeping with the wishes and aspirations of the people and has offered his unstinted cooperation to the government in ensuring that the referendum really serves to clarify basic political issues.

Both he and other leaders of the banned Nepali Congress believe no doubt that a fair referendum freely held would deliver a verdict in favour of a return to multi-party democracy. While they are entitled to hold this view and work for such a result, they should of course make it clear that the will of the people once it has been properly ascertained, would be binding on them even if the poll does not yield the result that they themselves would desire. For, there can be no denying that, by decreeing a referendum through the exercise of his royal prerogative, the king has imposed on the political leaders an obligation to assist in stabilising politics in Nepal. Meanwhile, King Birendra too has made no secret of where his preference lies. While he has more or less conceded that the 19-year old partyless panchayat system needs to be reformed in the light of its functioning, he would rather have the referendum strengthen his hands in mending the existing system rather than forcing his hands to end it.

The latest developments in king Birendra's programme for holding a free and fair referendum are the appointment of a new prime minister, Mr Surya Bahadur Thapa, on the recommendation of the Rashtriya Panchayat, this being the first time this body was consulted in such a matter and, secondly, the announcement of a 15-member national election commission under the chairmanship of a former chief justice, Mr Bhagawati Prasad Singh. This is a second term for Mr Thapa, since he had been prime minister earlier, during 1966-69. While the reaction of opposition politicians to Mr Thapa's appointment is yet to come, what is very much more important is that Mr B. P. Koirala has promptly expressed his satisfaction with the personnel of the election commission. This attitude on his part has been encouraged no doubt by a royal communique pledging "full freedom" to all to express their views fearlessly and mobilize opinion on the future political set-up, which is the agenda for the proposed referendum.

Although a student agitation, which had been building up over a period of nearly two months as a surprising challenge to political authority was responsible for making the king's mind up for him in favour of a straight appeal to the people for what is virtually a vote of confidence in his rule, it would be sad indeed if the less responsible elements in Nepal's political life were to try to keep the agitational atmosphere as a means of influencing the people's verdict at the referendum. While the prime responsibility for securing the full and free participation of the people in the referendum is naturally the government's or even the king's, this is not an obligation which can be effectively discharged by either without the king's leading political opponents sharing in the easing of political tensions by discouraging attitudes of confrontation.

The Indian sub-continent and, indeed, a good part of Asia and Africa, has lately become a laboratory for experimentation in political movements of reform or revolution which profess to be elevating human values while reconciling them with the need for authority and discipline in the governance of countries. In some cases these experiments seem to have become the victims of their own excesses of untutored idealism or, possibly, fanaticism. So it is becoming increasingly clear that, however acceptable the proclaimed purposes of reform or revolution may sound, they can in fact be accepted only if they are sought to be reached by the instruments of peaceful consensus. The next step in Nepal clearly is for the king to give practical shape as soon as possible to the means and modalities of the referendum and here of course his success in setting up an election commissian that will inspire trust in its commitments to a fair poll will be of key importance in moving Nepal towards the next historic landmark in its political evolution.

great opportunity

The prime minister, Mr Kirtinidhi Bista, having resigned in the wake of the referendum announcement, it should now be possible for the king to communicate more directly with the various political leaders, exercising his personal judgment in the process. A great opportunity has thus been provided to both sides for rising above considerations other than those relating to the genuine welfare of the people of Nepal whose material progress could be helped more by the consolidation of political stability than by any other single factor. Meanwhile the king will have to get busy guiding his administration in clearing the air of the political or other antagonisms some of which blew off their lids recently and thereby preparing the ground properly for a peaceful poll. He may need time too to give a clear shape to his concept of an improved or reformed partyless panchayat system which is to be one of the two options for the people to choose between.

Conservatives up in Canada

Mr Pierre Trudeau, the three-time prime minister of Canada and leader of the Liberal party failed to convince the electorate that the country needed his services for a fourth time at the head of its government. Although no party managed to secure an absolute majority in the elections the main opposition, the Progressive Conservative party secured 135 of the 282 seats. The Liberals got 115 and the New Democratic party 26. Mr Joe Clark, the winning leader belongs to western Canada and will be the youngest prime minister of the country. Elected to parliament in 1972, he rose from the back benches to becoms leader of the Conservative party in 1976. As the chief of a minority government he will necessarily have to lean heavily on support from the New Democrats despite differences between the two parties on economic policy.

The most important issue on which Mr Trudeau and his Liberal party fought the election was that of national unity and a strong central government. In sharp contrast, the Tories campaigned for more power for the provinces. The main opposition to the Liberal party, however, was from the electorate in the English-speaking belt in Canada, despite Mr Trudeau's claim that he alone can help to keep Quebec inside the Federation. In the French-speaking areas, such as Quebec and parts of the maritime provinces, the Liberals won decisive victories.

As the election results have shown up the strong linguistic, racial and religious prejudices that divide the federation, the future of French-speaking Quebec, which has been seeking autonomy, could conceivably become a live issue. Mr Clark, however, has repeatedly stated that he would not negotiate sovereignty with Quebec even if that province won a referendum on the issue. In his victory speech he held out an olive branch to Quebec, saying he wanted to make his country of two languages and two cultures a model for the world.

Some of the substantial changes that Canada may expect in the policies of the new government should be in the economic sphere. Mr Clark has promised to start work on plans to bolster a sluggish economy which has an inflation rate of around 10 per cent and one million people out of work. His party having the support of businessmen and private farmers, is likely to give more scope for free enterprise to improve the economic situation through increased output and employment. In fact the promised immediate economic gains and reduced government expenditure seem to have won him many votes in the election. On foreign affairs, he has urged a positive Canadian commitment to NATO and believes that Canada must take into account the common goals of Ottawa and Washington.

Mr Trudeau, who will be the leader of the opposition, is of course still hoping that the country would again need the Liberals in the near future. Though he has retained his own seat in the house, his party slumped in Ontario, the country's most populous province, where eight of his cabinet ministers were defeated. The results reveal English-speaking Canada's weariness of Mr Trudeau, a Montreal millionaire long shorn of the dazzling aura of "Trudeau mania" that propelled him to power in 1968. Another factor that reduced his popularity has been the rather dismal state of the economy and the falling value of the Canadian dollar in relation to US dollar. His wife, who has been separated from him, and written a best seller describing her decidedly unconventional life-style, had also caused some damage to his image.

End to AOI

EGYPT'S MILITARY and economic strength is likely to be seriously affected by the decision of Saudi Arabia, Qatar and the United Arab Emirates to withdraw from the Arab Organisation for Industrialisation (AOI). This organisation is to be dissolved as a result of Egypt signing its peace treaty with Israel. The AOI has 15,000 employees in Egypt, and was a model of pan-Arab cooperation. Set up in 1975 by Saudi Arabia, Egypt, Qatar and the United Arab Emirates (UAE) with an initial subscribed capital of £1.04 billion, the four participants had equal shares. Whereas the three oil-rich states provided cash, Egypt provided some industrial facilities and much of the skilled manpower.

The decision means that helicopters, anti-tank missiles and fixed-wing fighter aircraft will not now be produced in Egypt and a number of other armament projects would also be in jeopardy. Egypt had expected to receive through the AOI, at least 300 Lynx helicopters, many of which were to have been fitted with the HOT anti-tank missile. In addition, Cairo expected the British Swing-fire anti-tank missile as a jeep-mounted weapon, and later the Franco-German Alpha jet trainer and close support fighter, and the Mirage 2000.

These developments have serious implications for British, French and the US companies too. The various deals had joint ventures with separate companies overseeing each individual project. But these contracts have penalty clauses to cover the circumstances in which a contract is withdrawn or halted. AOI has a contract with American Motors for the production of 12,000 jeeps a year. This contract was probably worth, with spares, about $10million a year. The unit has started output but expansion is unlikely in the event of lack of funds. Another contract with Westland and Rolls-Royce was for the production of the Lynx twin-engine, multipurpose helicopter. Rolls-Royce was to supply the Gem engine. The value of the deal could exceed £400million. The finance was reported to be available for the first 20, manufactured in Britain, and for the local assembly for 30 more.

The Dynamics Group of British Aerospace formed with AOI a joint venture, the Arab-British Dynamics (AOI 70 per cent, BA 30 per cent) for the assembly and then construction of the Swing-fire anti-tank missile. The deal was worth more than £40million. An agreement with Dassault-Breguet of France was for the purchase and assembly of the Franco-German Alpha-jet which could also be used in a low-level intercept and strike role. There had also been negotiations over the purchase of the sophisticated Miraj-2000, though no value had been put on this deal. The joint venture by Saudi Arabia with Thomson CSF of France for the manufacture of military electronics and eventually guidance systems at Kharj, south of the capital Riyadh, would now be taken over by the Saudi Defence ministry.

Eastern Economist 30 Years Ago

JUNE 3, 1949

The decision of the Constituent Assembly on the 26th May, by an overwhelming majority, to end the system of reservation of seats in Legislatures to minorities, except the Schedule Castes, has naturally been hailed with great enthusiasm, though the Muslim members were not unanimous in their support of the new doctrine which, in the context of their political history of the last half a century, seemed to them so unpalatable. The main ground for the credit claimed for this achievement—the Prime Minister called it a 'historic' turn in our destiny—is not that the majority in a sovereign Constituent Assembly decided on this course, which in any case it could have done without any great claim for approval but that the initiative for the step came so largely from the minorities themselves, a situation, in striking contrast to the hard bargaining, which characterised past negotiation at each stage of constitutional reform. The present event has thus been invested with great significance and when we consider all the profound changes in the political atmosphere of the country, which have taken place since the advent of freedom, the decision regarding the future political rights of the minorities will perhaps rank only next to the process of integration of the States.

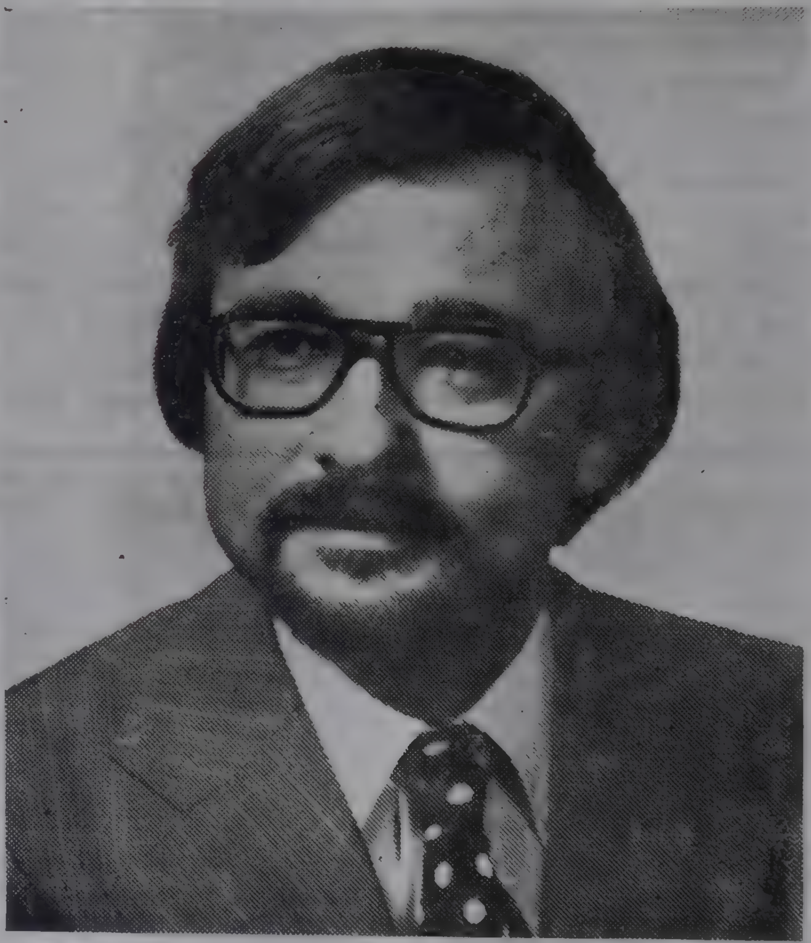
It may be said with equal truth in the present instance as in the cas of the Indian states, that credit must really be given, not to individual statesmanship or ingenuity for the discovery of some hitherto unknown method of securing agreement, but to the recognition by all the parties concerned of those broad currents which are influencing the course of history.

Cover feature

A tale of two windows

Among the major disappointments of UNCTAD-V, as it drags its feet at Manila, is the persisting inability of the developing and industrial countries to work out a common approach, both of philosophy and policy, to the noble task of ensuring a fair share in the gains of international trade to the low or lower-income countries. In this exclusive interview with Prof. Walter C. Labys, Mr S. Kumar Dev, a leading economic journalist, attempts to bring out the nature of this barrier to a purposeful North-South dialogue on a new world economic order.

Prof. Labys has held senior positions in the teaching field, or as a research scholar and consultant with a number of academic institutions and international organizations. His specialization includes the economics of commodity markets. He has written extensively or has otherwise been associated with publications on a wide range of international trade and development issues. Prof. Labys was recently in New Delhi to participate in a programme of seminars on themes thrown up by the North-South dialogue.


Prof. Walter C. Labys

Q: *An important item before UNCTAD-V, now being held at Manila, is the establishment of a commodity fund to finance what is called the integrated commodity programme. The progress of negotiations for creating the fund has been slow and faltering. Apart from the lack of will on the part of the industrially advanced countries, which the developing countries believe to be the foremost reason for the slow progress, what are the important reasons for the commodity fund taking so long to shape up?*

Labys: Commodity markets are very complex and solutions to commodity problems are also complex. What has happened is somehow the Keynesian view of regulation has dominated the talks. Now what is the problem of present regulation? Well, it is that the type of things that are being proposed really are attacking the facts of commodity market instability rather than the causes; so the basic problem is that the markets are unstable; second, there is the related terms of trade problem, that is, the prices of primary commodities are falling relative to the prices of manufactured goods that developing countries have to import. So what has happened first of all is that the developing countries have prepared a lot of their movement in terms of having multilateral commodity buffer stocks but what they are asking for are gains in the terms of trade, through buffer stocks. However, buffer stocks, as policy instruments, are not designed to improve the terms of trade.

Q: *I should have thought that*

Commodities at UNCTAD-V

The fifth UN Conference on Trade and Development (UNCTAD-V)—like the four preceding sessions of the conference—is demonstrating much concern for the problem of stabilizing international commodity markets.

Some delegations see the considerable progress that has been made in dealing with commodity issues since the first session in 1964 as a measure of UNCTAD success. And, they suggest, this progress has automatically reduced the scope for further dramatic initiatives.

The "integrated programme for commodities" instituted at UNCTAD-IV in Nairobi in 1976, they say, set in motion a chain of reactions that promise continuing progress for commodity exporters in the 1980s.

The Nairobi Formula established a framework and timetable for examining key commodity problems.

But some developing countries have expressed frustration and disappointment at Manila that the pace of individual commodity deliberations has been slower than they would have liked.

The integrated programme identified 18 key products exported by developing countries as the heart of the commodity issue. Agreements for coffee, cocoa, tin and sugar preceded the Nairobi conference, but the new mandate stimulated renegotiation of new arrangements for these commodities.

The most conspicuous progress in a new area has been achieved in discussions on a stabilization agreement for natural rubber, the experts say. There have also been constructive talks about possible innovative arrangements for most of the other 18 key commodities as well. For example, there is an understanding in principle to press towards an international agreement on tea as soon as possible.

Preparatory work is at an advanced stage for copper, jute, and hard fibres, the experts say, and considerable work has also been done on cotton and tropical timbers. Somewhat less progress has been attained for manganese, iron ore, and phosphates. Discussions of vegetable oils have revealed the special difficulty in adopting effective stabilization measures to protect exporters because of complexities relating to the wide variety of competing products. An agreement of international trade in meat, concluded in April as part of the Tokyo Round of trade negotiations, may lead to further arrangements in UNCTAD associated with the integrated programme.

The least progress has been made on bananas and bauxite, despite the willingness of consumer-importer countries to begin preparatory work for these commodities as soon as producer-exporter countries are prepared to move. Recent discussions of bananas under the aegis of the Food and Agriculture Organization (FAO) may soon lead to preparatory work for this product.

Important focal points of the UNCTAD-V commodity discussions relate to whether any timetable for further negotiations of individual commodity agreements is feasible or useful, and whether some appropriate body should be charged with overseeing future developments in the commodity area.

The Arusha "programme for collective self-reliance and framework for negotiations" promulgated by developing countries at a pre-UNCTAD-V conference in Tanzania last February enunciated three "main lines of action" on commodity issues for Manila. In addition to stabilization of commodity prices, they advocated:

—More security and stability for income derived from commodity exports, through such "additional measures as complementary financing," and

—Agreement on measures designed to increase local processing, marketing, transport, and distribution of commodities.

The most controversial commodity issue at Manila is the claim of developing countries that existing international facilities to stabilize commodity export earnings are inadequate. Developed countries are prepared to consider further liberalization of the compensatory financing facility of the International Monetary Fund (IMF), which has been in operation to meet this need since 1963 and was most recently liberalized in December, 1975. In fact, they point out, the joint development committee of the IMF and the World Bank is now studying the broad question of the adequacy of existing facilities to stabilize export earnings, as well as any need for additional measures complementary to the compensatory financing facility.

However, most developed countries are strongly opposed to the Arusha proposal to create a "complementary facility" for similar purposes, presumably to be administered by the UNCTAD secretariat.

The developed countries would also like to see developing countries expand their processing of raw materials, where feasible, and their share of international markets, and they recognize a potential UNCTAD role in advancing this end. However, they are not prepared to allow the UNCTAD secretariat to pursue a broad range of studies for all commodities. Instead, they believe research related to steps that might be taken in any commodity area should be explicitly authorized by the producers and consumers of that commodity.

Many delegations believe the UNCTAD-GATT International Trade Centre sponsored jointly by UNCTAD and GATT (General Agreement on Tariffs and Trade) could make a constructive contribution to the development of commodity markets through specific studies authorized by producers and consumers of individual commodities, as part of the integrated programme. Such studies might, for example, identify new marketing and distribution channels, policies and programmes, they say.

—USICA

buffer stocking operations and improvement of the terms of trade were the main objectives of the integrated commodity programme and that they went hand in hand. But from what you say it seems that the developing countries are not setting about this task in a proper way. Would you please clarify?

Labys: What has happened is that these two issues are being considered as the same issue, at least at the political level. The integrated programme is really designed to handle the facts of instability in terms of trade rather than the causes of instability in terms of trade. Within the integrated programme, we have the first window which is looking at these facts, namely, the use of buffer stocks, multilateral contracts and compensatory financing as a means of stabilising incomes. The second window deals with the actual problems—structural frictions in the market, research and development, all these things. The second window actually is getting at the causes more than the first window. People came to Manila to discuss the first window and not the second window. So things are going slow because first of all there is lack of understanding of how markets work. People are concentrating on the first window rather than on the second.

Q: *Well, from the reports of the proceedings at Manila it would seem that so far as the developing countries are concerned, the accent is on the second window. Do you think that impression is wrong?*

Labys: Well, I think, when I talked to Mr. Correa (UNCTAD Secretary-General) last December it did appear that UNCTAD, i.e. the UNCTAD Secretariat was going to try to move the discussions in the direction but I think a lot of the countries that came to discuss the integrated programme are concerned primarily with the first window.

Structure of merchandise trade

	Percentage Shares of Exports				Percentage Shares of Imports					
	Primary Commodities		Manufactures		Food		Fuel		Other	
	1960	1975	1960	1975	1960	1975	1960	1975	1960	1975
Low income countries	99	94	1	8	17	21	7	10	76	68
Bhutan	..	..	..	..	..	..	..	..	..	..
Cambodia	100	..	0	..	10	..	7	..	83	..
Lao PDR	..	..	..	..	..	..	..	..	..	..
Ethiopia	100	98	0	2	2	5	10	17	88	78
Mali	97	92	3	8	20	..	5	..	75	..
Bangladesh	..	37	..	63	..	51	..	8	..	41
Rwanda	..	97	..	3	..	19	..	8	..	73
Somalia	88	97	12	3	24	..	4	..	72	..
Upper Volta	100	94	0	6	19	21	5	9	76	72
Burma	98	97	2	3	14	..	4	..	82	..
Burundi	..	..	..	..	..	..	..	..	..	..
Chad	97	100	3	..	19	..	12	..	69	..
Nepal	..	..	..	12	..	..	..	..	..	..
Benin	100	100	0	..	17	..	10	..	73	..
Malawi	..	94	..	5	..	..	..	..	..	..
Zaire	99	97	1	3	16	17	10	10	74	73
Guinea	100	99	0	1	10	..	8	..	82	..
India	56	55	44	45	21	26	6	23	73	51
Viet Nam	100	..	0	..	..	..	..	..	..	..
Afghanistan	86	85	14	15	14	..	7	..	79	..
Niger	100	91	0	9	24	22	5	13	71	65
Lesotho	..	..	..	..	..	..	..	..	..	..
Mozambique	100	96	0	4	13	..	5	..	82	..
Pakistan	78	45	22	55	22	24	10	18	68	58
Tanzania	..	88	..	12	12	20	9	11	79	69
Haiti	100	66	0	34	..	29	..	9	..	62
Madagascar	94	95	6	5	17	..	6	..	77	..
Sierra Leone	35	42	65	58	23	..	12	..	65	..
Sri Lanka	99	89	1	11	39	50	7	17	54	33
Central African Emp.	98	76	2	24	15	16	9	1	76	83
Indonesia	100	99	0	1	23	13	5	5	72	82
Kenya	88	87	12	13	12	6	11	28	77	66
Uganda	100	100	0	..	6	5	8	2	86	93
Yemen Arab Rep	..	93	..	7	..	45	..	5	..	50

Q: *What else in your opinion is responsible for the slow movement of the negotiations on commodities?*

Labys: There is a second problem. The discussions are moving slowly also because commodity markets are not like financial markets. Let me explain what I mean. When central banks come together to discuss exchange rates, currency problems and reserve problems, the heads of the central banks who participate in the discussions are not only political appointees but are also technically qualified to deal with the problems and on top of this they come with their technical staff to back them up. They, in fact, represent one sole organisation in their country and so these representatives are in fact the country and you have dealings between persons who actually make decisions

Trade among developing countries

Nearly a quarter of the exports of developing countries goes to other developing countries. The most dynamic category of these exports is manufactures. As shown in the last column in Table 1, these accounted for about 39 per cent of the real increase in trade among developing countries during 1960-75. Acceleration of the growth of trade among developing countries must be led by manufactured exports.

Trade in manufactures among developing countries has increased rapidly during the last decade or so. It grew by 10.6 per cent a year during 1960-75, accounting for a rising share of developing countries' imports of manufactures, which rose by 7.3 per cent a year. Between 1970 and 1975, nearly a third of the growth in the trade in manufactures among developing countries was in machinery and transport equipment. However, apart from textiles and clothing, not more than 15 per cent of developing countries' imports of manufactures come from other developing countries, and the proportion is especially low in the machinery sector, as shown in the last column of Table II.

Much of the growth of trade in manufactures among developing countries has been based on preferential treatment in regional arrangements. Significant expansion of trade among developing countries will require stronger regional understanding, or a more liberalization of imports.

Recent structural developments in certain groups of developing countries favour the growth of mutually beneficial trade. Some developing countries have greatly increased their industrial capabilities and can supply an increasing proportion of the capital goods required by other developing countries, possibly at lower cost and with design characteristics that are more suited to operating conditions in those countries. The tremendous expansion of developing countries' exports to major oil exporters illustrates the potential for such growth.

The more advanced middle income countries could realize sizable gains from trade with other developing countries, particularly in products such as chemicals where economies of scale can be overwhelmingly important. Exploiting such opportunities will require changes in industrial and trade policy. For example, these countries, which are at roughly similar levels of industrial development, all have plans to promote domestic production of machinery and chemicals, but trade among them is only likely to expand vigorously on the basis of specialization. More detailed cooperation in the planning of industrial expansion and more liberal policies towards imports from one another will be required if trade among developing countries is to expand rapidly.

To increase trade in engineering products among developing countries will also require a considerable effort to overcome technical and marketing problems. Some of these problems, especially inadequacy of local capacity for engineering design and product development, hamper the development of this sector for domestic as well as export sales. Problems that pertain especially to trade among developing countries are licensing arrangements that prevent sales outside the domestic market; restrictions on the use of external financial assistance that require developing countries to purchase their equipment from industrialized countries; and the difficulties faced by capital deficit countries in financing export credits, which place them at a disadvantage in relation to suppliers in industrialized countries. None of these problems is overwhelming—as attested by the growth of trade in the past. But they do impede the rate of expansion and will have to be tackled at the international level if trade among developing countries is to expand at its potential rate.

Table I

Developing Countries : Product Composition of Merchandise Trade, 1975

	Imports from Developing Countries	Imports from Industrialized Countries	Imports from other Developing Countries as Percentage of Total Imports	Product Composition of Increase in Trade between Developing Countries 1960-75 (per cent, at 1975 prices)
	(Billion US dollars)			
Food and Beverages	9.2	15.7	33	16
Non-food Agricultural Products	2.9	3,4	41	5
Non-fuel Minerals and Metals	1.8	2.8	37	5
Fuel	20.7	2.4	57	35
Manufactures	13.1	123.3	9	39
TOTAL	47.8	147.6	22	100

Table II

Product Composition of Trade in Manufactured Goods Among Developing Countries, 1975 (Percentage)

	Developing Countries' Imports from other Developing Countries	Developing Countries' Imports from Industrialized Countries	Share of Total Imports Obtained by Developing Countries from Other Developing Countries
Textiles	14	4	28
Clothing	5	1	39
Machinery and Transport Equipment	31	55	6
Chemicals	13	12	11
Iron and Steel	6	10	7
Other Manufactures	31	19	15
TOTAL	100	100	9

and you generally see that monetary arrangements and negotiations proceed reasonably quickly.

Now, what happens in commodity markets? First of all about 70 per cent of all the trade in commodity markets is done by private individuals. These private individuals transmit the messages of how they think commodity market regulation should take place to the representatives at the meetings. Basically, most of the private individuals say : We do not want the government to be involved, to begin with. In cases where they do want the government to be involved, it is difficult for the government to deal with all these individuals.

Now what about the other 30 per cent of the persons dealing with commodity markets? Basically they take the form of state trading organisations and the developing countries have normally some sort of trading organisations that take care of the export of their commodities; so the state trading organisation is indeed an organisation like the central bank. But it constitutes a very small proportion. The people who discuss the commodities are not the persons who are immediately concerned with the commodity markets and they can only make suggestions and manoeuvre and then they have to go back and reopen the whole discussion with the commodity persons in their country. So it is an intermediary that keeps the real actors from being involved. The places where the real actors are involved is in the commodity agreements.

Q: *If you think that conceptually the common fund financing an integrated commodity agreement is deficient, what is the alternative you would suggest?*

Labys: The proper way the situation might be handled is per-

Trade in primary commodities

Primary commodities occupy a very different place in developing countries' trade from manufactures. Developing countries supply about a third of the world's exports of primary commodities other than fuel, whereas they supply only a tenth of the world's manufactured exports. About half of the major non-fuel primary exports of developing countries consists of commodities that are not produced in industrialized countries. The developing countries' share of world trade in primary commodities (excluding fuels) has fallen, whereas in manufactures it has been rising. The share of primary commodities, excluding fuel, in total developing country exports of merchandise declined from 68 per cent in 1960 to 34 per cent in 1975, while the share of manufactures rose from 14 per cent to 26 per cent during the same period.

In primary commodities, the problem of market access too is different. In non-agricultural primary products, tariffs are low or non-existent and there generally are no non-tariff barriers. Protection against imports of agricultural commodities is of long standing. Relatively few countries have been committed to as free a trade regime in agricultural products as in manufactures, and very little has been done over the years to reduce these barriers. Since they are intimately connected with domestic price policies and farm support programmes, they are likely to be the most difficult to deal with. The demand for primary products grows much less rapidly than for manufactures, and in some commodities there have been serious excesses in global production. In general, demand for imports of primary products in the industrialized countries grows at about the same rate as incomes, whereas that for manufactured imports grows twice as fast. The slow growth of import demand, the strong protection against agricultural imports, and the fact that they supply a large share of world primary commodity exports, makes it exceedingly difficult for developing countries to increase their primary exports. Aside from questions of market access, the main concern of primary exporters is the fluctuation of commodity prices and export revenues. Of these problems the more tractable, and probably the more important, is that of revenue instability. Large fluctuations in export revenues cannot be adequately handled by individual countries holding foreign exchange reserves, and are liable to upset investment and economic growth. This problem is addressed directly by the Compensatory Financing Facility of the International Monetary Fund and by the Stabex programme under the Lome Convention. Although more modest in scale, Stabex funds are highly concessional, on a grant basis to the poorest countries, and disburse rapidly. Various improvements have been made to these schemes in recent years and others are under active discussion. It would be desirable to extend the coverage of these schemes to more items, and to arrange for longer-term lending for structural adjustments necessitated by medium-term fluctuations in commodity prices.

Price instability is a general problem affecting primary commodities, and is inherent in a situation where both demand and supply are insensitive to changes in price in the short run. Commodities accounting for about a third

other than fuel

of developing countries' primary exports (other than fuel) experienced price fluctuations of over 10 per cent from one year to the next. Price instability affects both consumers and exporters. Especially in products for which synthetic substitutes are available, as for jute, sisal, cotton and rubber, excessive price fluctuations may lead consumers to seek substitutes, resulting in a long-run decline in demand. If fluctuations in international prices are allowed to influence producer prices in the exporting country, they can lead to wasteful cycles in investment and supply. The consequences of instability are difficult to measure, but can be very harmful to primary exports countries that often have pressing import needs and inadequate access to credit.

But price fluctuations are difficult to moderate, as shown by the numerous attempts to reach and sustain agreements among exporters and importers. The problem has been closely studied, and specific proposals to reduce the amplitude of price fluctuations are now being discussed intensively in various international forums.

Primary Commodities Classified by Degree of Price Instability

Index of Instability 10-15		Over 15	
Sugar	13.9	Copper	5.0
Rubber	3.5	Cocoa	2.6
Phosphate Rock	2.6	Zinc	0.7
Rice	1.6	Fishmeal	0.5
Palm Oil	1.4	Copra	0.4
Beef	0.7	Sisal	0.2
Wool	0.6		
Coconut Oil	0.5		
Groundnut Oil	0.4		
Lead	0.4		
Lemons	0.2		
Total	25.8		9.4

haps by having an international organisation which deals in commodities, like the IMF or the World Bank. Keynes' original idea at Bretton Woods was to have a monetary institution, what you call the Fund, and a development banking institution—the World Bank evolved from that—and also a world commodity institution to handle primary commodity problems. The existence of such an organisation, at least a wing of an international organisation that would handle the commodities, may eventually be able to bring the kind of solidarity that is needed. But I feel we will still have this problem of the markets being composed of private traders.

Q: *From the many articles you have published on the subject of commodities, I find that an alternative suggested by you is long term multilateral contracts. Would you please explain how they will work and what may be the practical difficulties in enforcing them?*

Labys: Multilateral contracts are just a simple way of arranging long-term contracts. A commodity exporting country will tie down 90 per cent of its exports in forward contracts. This is feasible so far as developing countries are concerned. If you have a state trading organisation it negotiates all the contracts any how and it could move to a longer term forward contract system in which 90 per cent of the exports could be tied down. For the same commodity, 90 per cent of the imports have to be tied down for each of the countries and this is what is difficult because in the case of countries with private traders you can't tie down imports to a central government organisation.

The second alternative is compensatory finance by which a country borrows from a fund to tide over difficulties arising from shortfalls in export earnings from commodities at any particular time. But my understanding is that the reaction of commodity exporting countries to the scheme of compensatory finance is that they do not want to pay the loans back. They seem to be quite adamant about it. That rules out the second viable alternative to the common fund. Then all that we are left with is commodity diversification. Buffer stock is another matter.

Q: *Many developing countries have set much store by buffer stocking operations for steadily increasing earnings from the export of their commodities. Some progress has been made in this direction. Could you please give us some details and tell hs what are the prospects for a jute buffer stock?*

Labys: I do think there will be buffer stocks of tin and rubber within a year, which will be a good start. As for jute, I think the politicians have got hold of the idea of a buffer stock and have distorted it. What has happened is that persons who have become involved in the jute buffer stock at the political level have insisted that jute goods be included. You cannot have a buffer of differentiated products. It must consist of a single raw material. So, if the discussions could be moved back to raw jute there might be a third buffer stock of jute after tin and rubber.

Point of view

Mrs Thatcher's brave new world

London

V. R. Bhatt

The new British prime minister is the strongest head of government in the democratic world today. The priorities of her government will be to reduce direct taxes, end government interference in business and curb union power. Though she has confirmed her government's commitment to the Commonwealth, she has made it clear that overseas aid programmes will need review.

MRS MARGERAT Thatcher, the first-ever woman head of a government in the most industrially developed part of the world, has won a solid overall majority in the British House of Commons which guarantees her administration a full five-year term and an unrestricted opportunity to implement her radical conservative policies. The parliamentary system in Britain ensures that there would be no legislative vetoes or obstruction to her government as in the American system of individualistic and largely independent senators and representatives in the Congress who are not restrained by the party whip as president Carter has found out. Mrs Thatcher has the further advantage compared with France, for instance, whose head of state and government, Giscard d'Estaing, presides over a coalition in which the major part, the Gaullists do not always see eye to eye with him on some of his major policies. From every point of view, therefore, Mrs Thatcher is the strongest prime minister in the democratic world, with authority unchallengeable except from within her party which does not exist. The Janata government in India has a much bigger overall majority but, as events have proved, is still an uneasy coalition whose survival is ensured only by the compulsion of its constituents to hold on to power. But Mrs Thatcher has nothing to stop her building her Brave New World.

Mrs Thatcher has absolute power to put into operation the far-reaching changes in economic management and fiscal and monetary policies outlined in her party's election manifesto. She has also the conviction and the will as her policy objectives expounded in the Queen's speech at the opening of the new parliament on May 15 indicate. The question that only the future can answer is what the changes effected by her policies in the economy and the life of the British people will produce— whether a more economically dynamic Britain or popular disenchantment and hostility. Meanwhile, Britain will become the stage for one of the most radical economic experiments in recent times. It will be watched intently by the rest of the world.

Before considering the proposed changes, an interesting similarity with the Janata "hawa" in the Thatcher "tide" which defeated the Labour party and Mr Callaghan whose popularity was higher than Mrs Thatcher's, must be noted. The split between the south and the north widened, as Scotland voted overwhelmingly for Labour, while the south opted as strongly for the Conservatives. Second, though her majority in one of the biggest since Labour's victory in 1965, her party obtained the lowest share of the popular vote than any post-war Conservative government. But these factors do not detract from her secure hold on parliament.

The ideological objective of Mrs Thatcher's economic about-turn is, in her own words, "to restore the balance in favour of the individual against the state". This is the flag of free enterprise—the kind which, according to Adam Smith, the father of economics, can create the Wealth of Nations. (Incidentally Mrs Thatcher's economic mentor, Sir Keith Joseph, who has the key ministry of Industry in her cabinet, distributed Adam Smith's "Wealth of Nations" to the chief officials of his ministry when he took charge.) Towards this end she proposes to create economic climate in which state interference or involvement in the private sector would be reduced to the minimum necessary and incentives provided to give the individual and the private sector—the economic enterprise of individuals acting jointly—full scope to progress and prosper.

The first priority in this direction is the reduction of direct taxes by cutting income tax and probably the company tax, which will be announced in the budget to be presented on June 12. The standard rate of income tax today is 34 per cent, rising to 83 per cent on top incomes. Reportedly, the standard rate is to be reduced to 30 per cent (at the cost of £2 billion) and the top rate to 60 per cent. Mrs Thatcher does not say how she proposes to make up this loss. But it is generally accepted that it will be done by raising the value added tax (VAT) from the current rate of 8 per cent to 10 per cent plus and higher duties on cigarettes, spirits and beer. This is in line with Mrs Thatcher's policy of shifting the burden of taxes from earnings to spending but higher indirect taxes on items of common consumption will have an inflationary effect.

denationalising industries

A second source of extra money to pay for income tax cuts, and also achieve the aim of reducing state involvement and denationalising private sector industries taken over by the Labour government, is to sell off the National Enterprise Board's (NEB) holding of profitable companies. The board was set up by the Labour government to rescue ailing but key private sector enterprises by advancing loans or buying into their equity. Curiously, the first big takeover was effected under the Conservative government of Mr Heath when Rolls Royce, Britain's most prestigious automobile and aero-engine company was rescued from collapse. The board controls 55 companies, including the biggest British automobile group Leyland. Some of these have become very profitable with the aid of state funds, the most notable being Ferranti, International Computers and Fairey Holdings. In addition to selling these off, the Thatcher government is pledged to sell the aerospace and shipbuilding industries taken over when in difficulties and still in the red. The NEB itself is to be run down which would mean that theoretically the private sector companies are to be denied state aid even if they are sinking towards collapse. The Labour party estimates that if this policy is strictly enforced, it would mean a million more thrown out of jobs. But Sir Keith Joseph is a passionate believer in the orthodoxy of supply and demand and the discipline of the balance-sheet.

scrapping price control

The biggest reduction in government's "interference" in the economy, announced by the Thatcher government, is the scrapping of price control and the winding up of the prices watchdog, the Price Commission. Mrs Thatcher is convinced that the commission has been counterproductive by hindering private enterprise, reducing profits and discouraging new investment and destroying jobs. Instead, she believes that competition in the market place is what will keep the prices in check or reduce them. Competition will be intensified and in conditions where competition is limited, the Fair Trading and the Mergers' and Monopolies Commissions will come into the picture. Their powers are to be strengthened for the purpose. In particular, the Director-General of Fair Trading will be empowered to investigate the abuse of "monopoly power" by nationalised industries and to investigate prices in areas which appear to be of "major public concern". It is to be seen whether competition alone will check the inflationary spiral. In most other developed countries, including the USA, the citadel of free enterprise, government has some form of price control frequently tied to wage restraint. President Carter's anti-inflation package is based on guidelines of a maximum of seven per cent in wage increases and five per cent in price increases. It is, however, premature to dismiss Mrs Thatcher's prescription before it is tried out, but the immediate response has been increases in bread prices, frozen by the Price Commission while it was inquiring into the justification for the rises by the two major British bakery chains.

The third measure to make up the tax cut loss is to reduce public spending and to "restrict the claims of the public secto on the nation's resources" in order t control the money supply. The bigges state outlays are on education, health social security, public transport (particularly railways) services, defence and law and order enforcement and the bureaucracy. Mrs Thatcher's government acted in the first week of its tenure to give big pay increases to the defence and police forces—a move which further embittered the 500,000 school and college teachers whose pay claims negotiations were suspended by the Labour government and who in retaliation are carrying on a form of industrial action. The new government has not explained where and how the cuts will fall in the other services.

stimulating small business

A positive economic measure is Mrs Thatcher's commitment to stimulate the development of small businesses by reducing administrative burdens and taxes. England, once known as a nation of shopkeepers, is no longer such with the growth of supermarkets and stores. But small businesses still form an important section of the economy and job creator. This part of Mrs Thatcher's policy will be warmly welcomed by Indian immigrants (who face a new tightening of immigration laws to delay or cut the number of those entitled dependents to be admitted). An increasing number particularly the displaced Asian shopkeepers and small manufacturers from Uganda and East Africa, have opened thousands of shops and small servicing and manufacturing businesses around the country.

Another of the new government's priority is to limit the power of trade unions whose militants by their nationwide strikes in winter were chiefly responsible for the defeat of the Labour party in the election. She will amend the union laws by banning secondary picketing by strikers whose right to picket will be limited to their places of work; by measures to end the "Closed Shop" by protecting those who do not want to join any union and giving those workers expelled or excluded recourse to a court of law. She will provide public funds for postal ballots for union elections and other important decisions such as strikes. Most militant union officers are against a secret ballot as their hold on union members will be reduced by anonymity provided by postal ballots.

Trade unionists have said that a change of law would not work and that only voluntary agreement would. They have recalled how Edward Heath's government fell over the coalminers' strike. But the present mood in the country after the bitter winter of strikes is for curbing the power of unions.

The one area where the policies of the Labour government will be followed is in the relationship with the Common Market. It will be recalled that Mr Callaghan's insistence on a radical reform of the CAP (the Common Agricultural Policy) so as to end the enormous food surpluses paid for by members—the largest budget contribution being from the UK—created strains in the EEC. The present system of CAP is politically and economically important for France, West Germany and other members with the exception of the UK and Italy. The Callaghan government also vetoed the Common Fisheries Policy to safeguard British fishing interests. Mrs Thatcher has warned that while her government will maintain a strong commitment to the EEC, any idea that Britain is a "soft touch" is wrong. Her government will "press"—as the Queen's speech says—for a radical reform of the CAP and a fairer pattern of budgetray and resource transfers in the EEC. The Community, therefore, faces a period of hard bargaining and internal tension. Mrs Thatcher, however, is likely to take Britain formally into the European Monetary System by the end of the year.

As expected, Mrs Thatcher, while confirming commitment to the Commonwealth, has said "quite candidly" in her first speech in the House of Commons that the "overseas aid programme is not exempt from the review of public commitments". This indicates that British aid to India, her biggest recipient, is likely to be reduced.

Looking at Mrs Thatcher's intended shift in foreign policy, the issue with most economic implications is Rhodesia. If the government recognises the Muzorewa regime and lifts sanctions (as the American Senate has asked president Carter to), British relations and trade with nationalist Africa will be affected.

Paying more for loans : why?

Sagittarius

The three loans issued recently by the central government having been fully subscribed, the author believes the RBI may have to take large parcels on its own account to avoid discomfort to banks when the government goes to the market with new issues later. He however believes the borrowing programme can be comfortably planned and maximum resources mobilised with the result that government should have no difficulty in meeting plan and non-plan expenditures.

THE MONETARY authorities have been pursuing a fitful policy in regard to the borrowing programme of the central and state governments and the formulation of the terms of new loans. The impression was given early last year that a mild retreat was being made from dearer money when interest rates on fixed deposits with banks were lowered along with lending rates for working capital purposes. A ceiling also was fixed for the levy of interest rates on term loans. There was however no change in the bank rate though the abolition of the levy on income derived by banks on specified advances gave rise to hopes that there might even be a lowering of the bank rate.

Subsequently however the interest rate on impounded deposits and cash balances maintained by the scheduled commercial banks with the Reserve Bank was raised to 6.5 per cent from six per cent. This move was apparently aimed at protecting the profitability of banking operations though the more straightforward course would have been to subsidise losses sustained on the running of new branches in interior areas and the administration of schemes intended for helping weak borrowers. While the government has not been agreeable to the granting of fiscal relief except the facility for writing off sticky advances by rural branches for tax purposes, it was not expected that the Finance ministry would be willing to concede an increase in the interest rates on various types of loans. There has been a perceptible rise in current and redemption yields on all categories of terminable loans and the institutional investors have benefited by the improvement in yields by over half per cent since 1975-76.

The shift towards dearer borrowing has been more pronounced since the middle of last year. Even in October 1977, the 17-year loan carried interest at six per cent with the issue price at Rs 98.50. The 21-year loan had an interest rate of 6¼ per cent and the 28-year loan 6½ per cent.

In May 1978, however, there was a change in the basis of new loans. The 6 per cent loan had a duration of only 10 years though the issue price was raised to par. Likewise the 6½ per cent loan matured after 17 years while the interest rate on the long-dated loan was raised to 6¾ per cent though the duration was 29 years. This move was welcomed by banks as the changes afforded an opportunity for increasing the average yield on investments. But market values declined on account of the higher yield basis and it was felt that the losses on sales could not be fully offset if net earnings were not satisfactory and there was no suitable opportunity for effecting a saving in tax burden. The balance sheets of major nationalised banks are not available in most

Central loans fully subscribed

The three central government loans aggregating to Rs 500 crores, which opened for subscription on May 25, were closed before noon the same day on being fully subscribed. All subscribers will receive full allotment. The three loans are: 6-1/4 per cent loan 1989; 6-1/2 per cent loan 1995 and seven per cent loan 2009 .

cases for 1978 and it will be interesting to find out how the depreciation in market value has been adjusted.

The Reserve Bank has made another surprise decision when it announced the terms of new loans for the third tranche of the borrowing programme of the central government for 1979-80. After the re-issues of 6¾ per cent 2007 loan for Rs 250 crores on two occasions the feeling gained ground that there would be no further hike in interest rate especially as the brisk open market sales were also effected and institutional investors were encouraged to invest large amounts in long dated securities. The new loans are definitely more costly for the central government. The 6 per cent basis has been discarded as even a 10-year loan carries an interest rate of 6¼. per cent. The 16-year loan has interest rate of 6½ per cent while the long dated loan matures after 30 years and has an interest rate of 7 per cent. (All three loans were issued at par.) This is the highest rate offered for any central government loan in the post-independence period, except for the gold bonds which mature in March, 1980 and have identical interest rate.

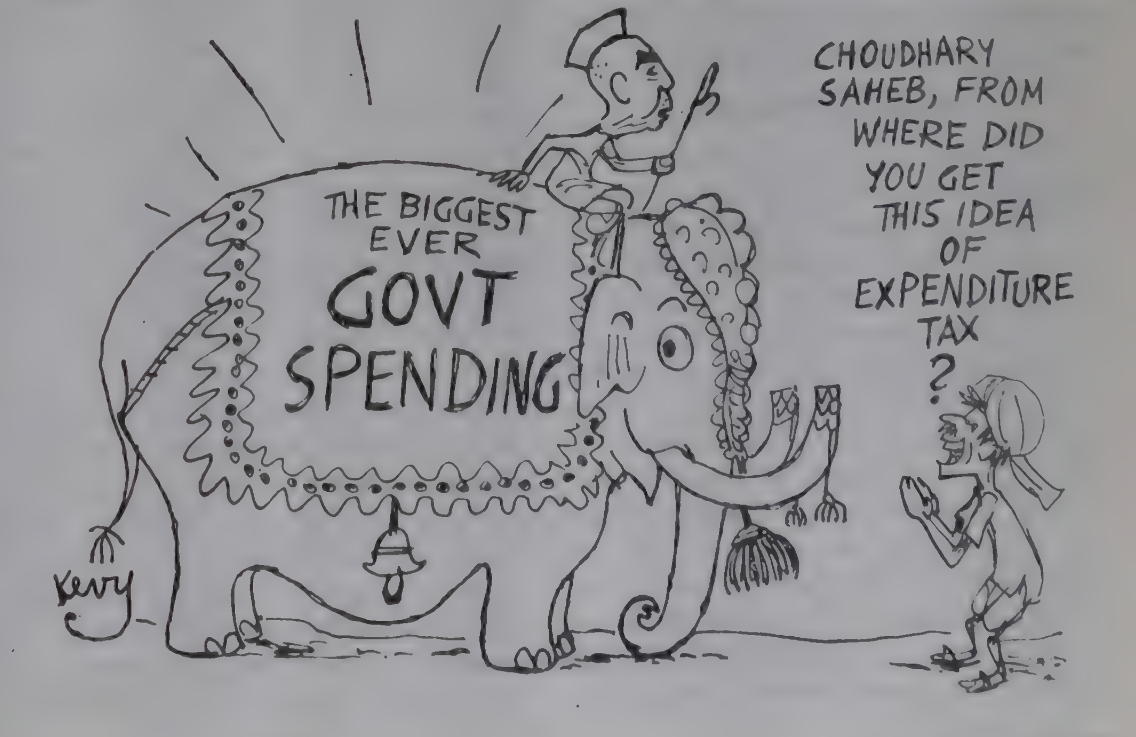
unclear motive

What exactly motivated the Reserve Bank to raise the interest rates is not clear. The only justification may be the anxiety to protect the profitability of the banks as the curbs on the use of funds are being continued and banks have been complaining that they are suffering a loss of income due to the increasing immobilisation of funds with the impounding of specified portions of deposits and the maintenance of high cash reserve ratio. The liquidity ratio also has been increased to 34 per cent from 33 per cent effective from December last. The changes in terms have naturally surprised money market circles as only on April 28, 1979 there was a reissue of 6¾ per cent, 2007 loan for Rs 150 crores.

The notified amount for three loans was fixed at the high level of Rs 500 crores even when it was assumed the government would be accepting subscriptions up to 10 per cent in excess of the notified amount. The heavy subscriptions to new loans will naturally add to pressure on the banking system as it will be necessary to expand food credit on a large scale with no likelihood of a significant contraction in advances in other directions even with the end of the busy season. This course would have been meaningful if there had been no need for issuing again loans for public subscription in July. Three loans are due for redemption during this month. These are :—4 per cent 1979 loan for Rs 106.06 crores due for redemption on July 1, 4¾ per cent 1979 loan for Rs 101.36 crores repayable on July 15 and 5 per cent 1979 loan for Rs 86.83 crores redeemable on July 16,

There is therefore compulsion to issue again new loans within five weeks from May 25. The Reserve Bank will probably decide to offer conversion terms to the holders of maturing loans and there may be fresh issues of the same loans offered in the third tranche. As the maturing loans are outstanding for Rs 294.25 crores, the notified amount will have to be again Rs 500 crores for the loans offered in July. In that event the gross amount borrowed in four tranches will be Rs 1350 crores and the net amount Rs 1056 crores. This will impose some strain on the banking system and discomfort can be avoided only with the Reserve Bank taking over large parcels on its own account and effecting subsequent open market sales. In 1978-79 also there was concentrated borrowing upto July, 1 when the gross amount raised was Rs 1,192 crores and the net amount Rs 1071.37 crores.

The budget estimate of Rs 2148 crores for gross borrowing and Rs 1850.49 crores for net borrowing can of course be comfortably exceeded. The banking system alone will have to invest additionally out of new deposits in the eight months ending March 1980 over Rs 1000 crores in gilt-edged securities and the share of the central government in this fresh investment can be easily Rs 700 crores. The Life Insurance Corporation and Provident Funds can put up additionally Rs 400/500 crores ; the net amount borrowed can thus be Rs 2200 crores depending on the strategy pursued by the RBI. If there are four reissues of loans at intervals of two months the amount raised can be about Rs 1000/1200 crores. There will be no need for issuing loans for public subscription as only the 7 per cent gold bonds have to be redeemed on March 2, 1980 and the repayment will have to be in the form of bullion on specified basis. The borrowing programme of the central government can, therefore, be comfortably planned and the maximum resources mobilised without causing any difficulty to the institutional investors. As there will also be sizable investments in rural bonds out of the net sale proceeds of long term assets, the budgetary position will be quite comfortable and plan and non-plan expenditure can be met without difficulty.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Kevy

Cereals and the central pool

S. Narayanan and
D.V.L.N.V. Prasad Rao

The authors who are associated with the National Institute of Rural Development, Hyderabad, have examined the availability of cereals in different states and the role played by the central pool in evening out disparities of supply. They say that a large number of states are deficient in foodgrains and the allotments from the pool are not governed by actual needs, and political or other considerations often interfere with a rational allocation of foodgrains. They believe the removal of zonal restrictions will help in the fair distribution of cereals.

Cereals form about 70 per cent of the foodgrains consumed by the people of our country. The excessive dependence of the millions of poor on cereals, which are the cheapest forms of food, has introduced a host of problems in making them available to meet the huge requirements. A fair distribution of available foodgrains in the country has never been easy. The need for such an arrangement had been felt long ago but the chronic shortages and the political considerations did not allow any concrete step to be taken towards this direction. Stringent zonal restrictions imposed on the movement of foodgrains resulted in the prevalence of widespread disparities in the availability of cereals among different states. An important instrument used for wiping out the inter-state deficits and surpluses of cereals was the central pool.

This article aims at an examination of the availability of cereals in different states and the role played by the central contributions from the pool in evening out the glaring disparities therein.

official statistics

Data for this study were collected from the issues of the Bulletin of Food Statistics during the period 1970-77 published annually by the Directorate of Economics and Statistics, ministry of Agriculture and Irrigation, government of India. As the beginning of the seventies saw an era of plenty of food, closely following the green revolution and the restrictions on inter-state movements of cereals were relaxed since 1976, the intervening period was selected for the analysis. The net availability of cereals (wheat, rice, jowar, maize and bajra) in a state is calculated by adding the quantity produced in the year to the quantity supplied through the public distribution system and then subtracting the quantity procured, from the above total. State-wise per capita availability was worked out to understand the variations.

individual requirement

On the basis of a number of dietary surveys conducted in the past, it has been estimated that an average Indian requires 2,250 calories per day and about 70 per cent of this (1,575 calories) has to come from the cereals as they are the only form of food that the poor can get within their family budget[1], There are substitutes, such as tapioca in Kerala which are in demand in case of scarcity of cereals. But they are preferred only if the price differentials are substantial. Considering that one gram of foodgrain contains 3.3 calories, the per day and, consequently, the per year requirement for an adult are calculated as 477 grams and about 174 kgs respectively.[2] This figure was multiplied by the population of the different states and their requirements for the period of study, separately for each year, were obtained. The gap between the requirement and availability for each state has been worked out. Contribution from the central pool to each state has been expressed as percentage to the total contributions and the rationale of these allotments has been examined in the light of the actual deficiencies.

The data on production of cereals are not strictly comparable over time because of the changes in the coverage and methods of estimation. Another lacuna of the data observed was, whereas the production figures related to the agricultural year (July-June), the information on procurement and issues of cereals related to the calendar year. To overcome this, to an extent, the latter data for the next year were used with those of the former. For example, the quantity of output of cereals for the year 1969-70 was considered for analysis with the quantities of procurements and issues for the year 1970. The population figures used for analysis are mid-year estimates as on July 1 of each year.

Improved methods of agriculture on which much emphasis is laid has helped to increase food production in the country over the years. There had been substantial growth in the output of cereals; but the vagaries of droughts and floods have caused wide fluctuations in it While a few states had surpluses year after year, a number of others were facing acute shortages of cereals. This situation was a breeding ground for unscrupulous traders and profiteers who were instru-mental in creating artificial scarcity o foodgrains by manipulating the operation in the grain market. The remedy was imposition of restrictions on the move-ment of cereals from state to state o from one zone to another with a provi-sion for procurement by the state and central agencies with an arrangement fo distribution to the deficit states.

faulty working

Such a system in which the deficit state have to look up to the central governmen for meeting their grain requirements ha not worked well. Often, there had bee protests against the quantum of centra food aid which the receiving states con sidered small and inadequate. In cas the party in power in a state was differen from that at the centre, a political colou was added to the problem. These factor among others, have created a situatio in which a fair and equitable distributio of the available cereals was impossible.

There had been notable increases in th availability of cereals during 1970-76 an for the country as a whole the Index availability rose from 100 to 115 (se Table I). But this trend is not consiste throughout the period as it is evident fro he corresponding figures for 1972 and 1973 which show a marked declining tendency in almost all the states. The war with Pakistan had left the country saddled with millions of refugees and surrendered troops which snow-balled to a great burden on the national economy. During these years, substantial quantities of grains might have been diverted for feeding them. Let us see how far this trend of the increasing nature of the availability of cereals has been beneficial from the point of view of a fair distribution. Table II shows the per capita availability of cereals among the states.

Over the period, the per capita availability of cereals was fluctuating within the range of 152 to 173 kgs for the country

TABLE I

State-wise Availability of Cereals: 1970-76.

(In '000 tonnes)

State	1970	1971	1972	1973	1974	1975	1976	Average for the period
Andhra Pradesh	7,091 (100)	6,805 (96)	7,062 (100)	6,290 (89)	7,905 (112)	8,092 (114)	7,962 (112)	7,315
Assam	2,384 (100)	2,222 (93)	2,192 (92)	2,584 (108)	2,360 (99)	2,266 (95)	2,589 (107)	2,371
Bihar	7,005 (100)	7,264 (104)	8,770 (125)	9,029 (129)	7,472 (107)	7,822 (112)	9,340 (133)	8,100
Gujarat	3,339 (100)	4,246 (127)	4,362 (131)	2,864 (86)	4,484 (134)	2,734 (82)	4,333 (130)	3,766
Haryana	2,747 (100)	2,939 (107)	2,919 (106)	2,613 (95)	2,967 (108)	2,214 (81)	2,706 (99)	2,729
Himachal Pradesh	962 (100)	918 (95)	926 (96)	917 (95)	964 (100)	1,021 (106)	1,054 (110)	966
Jammu & Kashmir	1,261 (100)	1,037 (82)	1,052 (83)	1,099 (87)	1,165 (92)	1,184 (94)	1,203 (95)	1,143
Karnataka	5,668 (100)	5,799 (102)	5,881 (104)	4,638 (82)	6,265 (111)	6,152 (109)	6,895 (122)	5,900
Kerala	2,069 (100)	2,167 (105)	2,293 (111)	2,234 (113)	2,256 (109)	2,355 (114)	2,526 (122)	2,286
Madhya Pradesh	7,768 (100)	8,408 (108)	9,182 (118)	8,191 (106)	8,512 (110)	7,726 (100)	9,089 (117)	8,411
Maharashtra	7,284 (100)	5,824 (80)	5,865 (81)	4,768 (66)	7,890 (108)	8,084 (111)	9,261 (127)	6,997
Manipur	244 (100)	174 (71)	191 (78)	196 (80)	271 (111)	297 (122)	302 (124)	239
Meghalaya	@	154 (100)	168 (109)	167 (108)	196 (127)	184 (120)	197 (128)	177
Nagaland	63 (100)	66 (105)	55 (87)	77 (122)	76 (121)	87 (138)	73 (116)	71
Orissa	4,448 (100)	4,595 (103)	4,211 (95)	4,364 (98)	4,941 (111)	3,733 (84)	4,972 (112)	4,466
Punjab	3,719 (100)	2,187 (86)	4,106 (110)	3,981 (107)	5,670 (153)	4,046 (109)	4,092 (110)	4,114
Rajasthan	3,791 (100)	6,881 (182)	5,118 (135)	4,436 (117)	5,579 (147)	4,050 (107)	5,143 (136)	5,000
Tamil Nadu	6,517 (100)	7,236 (111)	6,079 (93)	7,099 (109)	7,230 (111)	5,245 (81)	7,869 (121)	6,754
Tripura	258 (100)	326 (126)	301 (117)	238 (92)	381 (148)	369 (143)	400 (155)	325
Uttar Pradesh	14,082 (100)	15,358 (109)	14,452 (103)	14,688 (104)	13,805 (98)	13,487 (96)	14,236 (101)	14,301
West Bengal	8,403 (100)	9,031 (108)	9,578 (114)	8,326 (99)	8,112 (97)	8,959 (107)	9,417 (112)	8,832
All India	90,609 (100)	95,191 (105)	95,517 (105)	89,808 (99)	99,466 (110)	91,096 (101)	1,04,556 (115)	95,169

@Data included in the state of Assam. Figures in brackets are Index Numbers. (Base year=1970) as a whole. This nature of the trend existed in all the states. The average per capita availability was 166 kgs and in the case of nine states in the country it was lower than this national average. Punjab, Himachal Pradesh and Haryana enjoyed the highest per capita availability of cereals and the state of Kerala followed by Maharashtra had the lowest averages. This situation prevailed even in the year 1970 and as such no substantial change in the distribution of cereals took place during the period. The states which were always short of food could not get it whereas others enjoyed a far better position in this regard having surpluses.

While this trend in the availability of grains continued, the demand for food was increasing steadily consequent to the growth of population. The available grains were not sufficient to meet the requirements as per the nutritional standard. Assuming that an average Indian adult requires 1,575 calories per day from the cereals, the requirements, statewise, for the period under study have been given in Table III.

For the country as a whole, the index of requirement of cereals increased from 100 in 1970 to 113 in 1976. In all the states, the requirements registered substantial increases ranging from 8 to 16 points. This rise in demand for cereals in the light of availability is examined and the result is presented in Table IV.

Punjab, Haryana, Himachal Pradesh and Jammu & Kashmir were the only states which enjoyed surpluses of cereals throughout the period. States such as Kerala, Maharashtra, Bihar, Assam and Gujarat were always deficient. While the average deficiency for the country was only five per cent, states such as Kerala and Maharashtra were deficient to the order of 71 and 37 per cent respectively. The surpluses of Punjab, Himachal Pradesh and Haryana were 38, 36 and 32 per cent in that order. This indicates that the operation of central pool of cereals was not able to ensure a more balanced distribution in the country. Existence of such wide deficits and surpluses could not be eliminated during the period as shown by the data.

To understand the extent to which the allotments from the central pool have been useful to meet the requirements of the deficit states, the quantities thus allotted have been expressed as percentages to the total allocations keeping the deficiencies in view and the data are presented in Table V.

In 1972, the quantity of cereals distributed from the central pool to the states was 78 per cent of the over-all deficit. But this distribution was not aimed at the reduction of disparities in the availability of cereals in the states as is evident from the data. West Bengal was the only state which had been allotted with excess quantities of cereals over the period. Vast influx of refugees to the state from the bordering Bangladesh in the early seventies might have been the reason behind such huge allocations. Maharashtra, Kerala, UP and Bihar were the important deficit states. The percentage

TABLE II

State-wise Per Capita Availability of Cereals

(In kgs)

State	1970	1971	1972	1973	1974	1975	1976	Average for the period
Andhra Pradesh	165	156	158	139	171	172	166	161
Assam	152	147	141	162	144	134	149	147
Bihar	126	128	152	154	125	129	151	138
Gujarat	128	158	158	102	155	192	143	148
Haryana	278	291	283	248	275	201	241	260
Himachal Pradesh	282	265	264	258	269	281	288	272
Jammu & Kashmir	280	224	222	227	236	236	235	237
Karnataka	197	197	196	151	200	193	213	192
Kerala	99	101	104	104	98	100	106	102
Madhya Pradesh	190	201	214	186	189	168	193	192
Maharashtra	147	115	113	90	146	146	164	132
Manipur	232	161	173	174	236	253	253	212
Meghalaya	@	151	162	158	181	167	175	166
Nagaland	123	128	105	144	140	158	132	133
Orissa	206	208	187	190	211	156	204	195
Punjab	273	230	291	276	386	271	269	285
Rajasthan	150	266	193	163	199	143	177	184
Tamil Nadu	161	175	144	165	165	117	173	157
Tripura	168	209	188	144	229	217	231	198
Uttar Pradesh	162	173	160	160	148	142	148	156
West Bengal	193	203	210	179	170	184	189	190
All India	168	173	170	156	170	152	172	166

@Included in the state of Assam.

of deficit of the state of Maharashtra in 1972 came to 29 whereas the central allocation was only 16 per cent of the total. The allotments of cereals from the central pool were not sufficient to meet the requirements of the state during the period.

The position of Kerala was still worse except during the year 1975. By and large almost all states could not make up their deficits with the allocations from the central pool. The manner of central pool allotments is clear from the data in respect of the states of Kerala and Maharashtra, the largest deficit state was

TABLE III

State-wise Requirement of Cereals during 1970-76

(In '000 tonnes)

State	1970	1971	1972	1973	1974	1975	1976	Average of the period
Andhra Pradesh	7,455	7,607	7,755	7,904	8,054	8,204	8,842	7,903
	(100)	(102)	(104)	(106)	(108)	(110)	(112)	
Assam	2,722	2,623	2,702	2,781	2,861	2,941	3,020	2,807
	(100)	(96)	(99)	(102)	(105)	(108)	(111)	
Bihar	9,672	9,850	10,031	10,213	10,396	10,579	10,751	10,213
	(100)	(102)	(104)	(106)	(108)	(109)	(111)	
Gujarat	4,558	4,675	4,793	4,911	5,031	5,150	5,267	4,912
	(100)	(103)	(105)	(108)	(110)	(103)	(116)	
Haryana	1,716	1,756	1,795	1,835	1,874	1,915	1,952	1,835
	(100)	(102)	(105)	(107)	(109)	(112)	(114)	
Himachal Pradesh	593	603	610	617	623	631	638	616
	(100)	(102)	(103)	(104)	(105)	(106)	(108)	
Jammu & Kashmir	783	807	824	841	857	874	891	840
	(100)	(103)	(105)	(107)	(110)	(112)	(114)	
Karnataka	5,014	5,123	5,227	5,332	5,438	5,543	5,646	5,332
	(100)	(102)	(104)	(106)	(109)	(111)	(113)	
Kerala	3,651	3,736	3,823	3,910	3,998	4,086	4.168	3,910
	(100)	(102)	(105)	(107)	(110)	(112)	(114)	
Madhya Pradesh	7,115	7,293	7,475	7,658	7,840	8,023	8,207	7,659
	(100)	(103)	(105)	(108)	(110)	(113)	(115)	
Maharashtra	8,611	8,819	9,016	9,213	9,412	9,610	9,803	9,212
	(100)	(102)	(105)	(107)	(109)	(112)	(114)	
Manipur	193	188	192	196	199	204	208	196
	(100)	(103)	(105)	(107)	(109)	(112)	(114)	
Meghalaya	—	177	181	184	188	192	196	186
		(100)	(102)	(104)	(106)	(109)	(111)	
Nagaland	88	90	92	93	94	96	97	93
	(100)	(102)	(105)	(106)	(107)	(109)	(110)	
Orissa	3,755	3,838	3,919	4,000	4,081	4,162	4,244	4,000
	(100)	(102)	(104)	(107)	(109)	(111)	(113)	
Punjab	2,367	2,413	2,460	2,506	2,554	2,602	2,652	2,508
	(100)	(102)	(104)	(106)	(108)	(110)	(112)	
Rajasthan	4,405	4,509	4,617	4,725	4,838	4,942	5,047	4,725
	(100)	(102)	(105)	(107)	(110)	(112)	(115)	
Tamil Nadu	7,038	7,204	7,346	7,488	7,631	7,774	7,906	7,484
	(100)	(102)	(104)	(106)	(108)	(111)	(112)	
Tripura	267	272	278	284	289	296	301	284
	(100)	(102)	(104)	(106)	(108)	(111)	(113)	
Uttar Pradesh	15,160	15,436	15,698	15,961	16,226	16,491	16,734	15,958
	(100)	(102)	(104)	(105)	(107)	(109)	(110)	
West Bengal	7,582	7,753	7,927	8,106	8,287	8,473	8,663	8,113
	(100)	(102)	(105)	(107)	(109)	(112)	(114)	
All India	93,765	95,843	97,869	99,914	1,01,960	1,04,029	1,05,992	99.910
	(100)	(102)	(104)	(107)	(109)	(111)	(113)	

Figures in brackets are Index Numbers (Base year 1970=100).

able to get its due share except in 1972 and 1973 whereas Kerala could just manage to do so only during 1975. Bihar and UP were running deficit throughout the period and the central allocations were too small compared to their due shares. The smaller north-eastern states were also facing chronic deficits and they had been helped out with the allotments from the central pool. Another aspect of the data has been the allocations made to the surplus states. These might have become necessary because of the shortages of a particular cereal faced by a state although it is in surplus in other grains.

Shortages of foodgrains had been an important feature of our economy since the middle of this century. Even the available cereals, the chief item of food of the masses, are not distributed in the country according to the requirements of the population of the states. Except a few, almost all of them are deficient in foodgrains and they have to meet their requirements either from the surplus states or through imports. Imports are controlled by the central government. The world grain market is highly competitive for the buyers and the result has been the sky rocketing of the prices of food. In the absence of free movement of foodgrains among the states, the deficit ones can obtain them only on a government to government basis. The central government's pool of cereals for which procurements are made in the surplus states is the mechanism devised to meet the requirements of the deficit states. But the available stocks in the hands of the central government are not sufficient to meet the requirements of the states.

Some states face only marginal deficits while others such as Kerala and Maharashtra have large deficits. Ensuring a fair distribution of cereals from the central pool with a view to narrowing down the inter-state disparities is not an easy task. First of all, data on production may not be available in time. There is a tendency among the state governments to underestimate the production figures in order to escape from the higher procurement targets or to demand more cereals from the central pool in case of deficit states. Political and other extraneous considerations also interfere with a rational decision making in allocation of foodgrains. Analysis of the data used in this article indicates that the allotments from the central pool are not governed by the actual need of the people in different states, Of late, in the light of a very comfortable stock of foodgrains and the removal of zonal restrictions in grain trade, it is hoped that the problem of a fair distribution will be tackled successfully.

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TABLE IV

Percentage of Surplus or Deficit: State-wise

State	1970	1971	1972	1973	1974	1975	1976	Average deficit(—) or surplus(+)
Andhra Pradesh	— 5	—12	—10	—26	— 2	— 1	— 5	— 9
Assam	—14	—18	—23	— 8	—21	—30	—17	—19
Bihar	—38	—36	—14	—13	—39	—35	—15	—27
Gujarat	—36	—10	—10	— 7	—12	—88	—22	—26
Haryana	+38	+40	+39	+30	+37	+14	+28	+32
Himachal Pradesh	+38	+34	+34	+33	+35	+38	+39	+36
Jammu & Kashmir	+38	+22	+22	+24	+10	+26	+26	+24
Karnataka	+12	+12	+11	—15	+13	+10	+18	+ 9
Kerala	—76	—72	—67	—68	—77	—74	—65	—71
Madhya Pradesh	+ 8	+13	+19	+ 7	+ 8	— 4	+10	+ 9
Maharashtra	—18	—51	—54	—93	—19	—19	— 6	—37
Manipur	+25	— 8	— 1	— 0	+26	+31	+31	+15
Meghalaya	@	—15	— 8	—10	+ 4	— 4	— 1	— 6
Nagaland	—40	—36	—68	—22	—24	—11	—32	—33
Orissa	+16	+16	+ 7	+ 8	+17	—11	+15	+10
Punjab	+36	+24	+40	+37	+55	+36	+35	+38
Rajasthan	—16	+34	+10	— 6	+12	—22	+ 2	+ 2
Tamil Nadu	— 8	0	—21	— 5	— 6	—48	0	—13
Tripura	— 4	+17	+ 8	—21	+24	+20	+25	+10
Uttar Pradesh	— 8	— 1	— 9	— 9	—18	—22	—18	—12
West Bengal	+10	+14	+17	+ 3	— 2	+ 5	+ 8	+ 8
All India	— 3	— 1	— 2	—11	— 3	—14	— 1	— 5

+Indicates surplus. —Indicates deficit. @Included in the state of Assam.

TABLE V

Deficiencies and Allocations of Cereals from the Central Pool

State	1972		1973		1974		1975		1976	
	Deficiency	Allocations from Central Pool	Deficiency	Allocations from Central Pool	Deficiency	Allocations from Central Pool	Deficiency	Allocations from Central Pool	Deficiency	Allocations from Central Pool
Andhra Pradesh	908 (6)	215 (3)	1,768 (8)	155 (2)	249 (2)	100 (1)	249 (1)	137 (2)	531 (4)	151 (3)
Assam	736 (3)	226 (3)	366 (2)	168 (2)	670 (4)	169 (2)	894 (4)	219 (3)	639 (5)	208 (4)
Bihar	1,969 (13)	709 (9)	1,633 (7)	448 (5)	3,431 (21)	507 (7)	3,186 (14)	429 (5)	1,521 (12)	110 (2)
Gujarat	744 (5)	313 (4)	2,836 (13)	789 (9)	1,263 (8)	716 (10)	3,145 (13)	729 (9)	952 (8)	18 (—)
Haryana	S	114 (1)	S	117 (1)	S	120 (2)	S	65 (—)	S	8 (—)
Himachal Pradesh	S	5 (—)	S	41 (—)	S	43 (—)	S	4 (—)	S	110 (2)
Jammu & Kashmir	S	133 (2)	S	178 (2)	S	186 (2)	S	227 (3)	S	209 (4)
Karnataka	S	259 (3)	987 (5)	293 (3)	S	167 (2)	S	182 (2)	S	173 (3)
Kerala	2,462 (16)	932 (11)	2,520 (12)	943 (11)	2,733 (16)	991 (13)	2,755 (12)	1,024 (13)	2,794 (23)	1,152 (19)
Madhya Pradesh	S	227 (3)	S	235 (3)	S	101 (1)	410 (2)	113 (1)	S	26 (—)
Maharashtra	4,462 (29)	1,312 (16)	6,721 (31)	2.276 (25)	3,096 (19)	1,574 (21)	3,142 (13)	1,616 (20)	1,994 (16)	1,452 (24)
Manipur	9 (—)	8 (—)	23 (—)	23 (—)	S	15 (—)	S	9 (—)	S	7 (—)
Meghalaya	50 (—)	37 (—)	60 (—)	43 (—)	62 (—)	70 (1)	69 (—)	61 (1)	63 (—)	64 (1)
Nagaland	59 (—)	22 (—)	35 (—)	18 (—)	39 (—)	21 (—)	41 (—)	31 (—)	48 (—)	24 (—)
Orissa	S	262 (3)	S	106 (1)	S	150 (2)	691 (3)	262 (3)	S	131 (2)
Punjab	S	180 (2)	S	154 (2)	S	176 (2)	S	63 (1)	S	144 (2)
Rajasthan	S	163 (2)	794 (4)	505 (6)	S	225 (3)	1,139 (5)	247 (3)	S	12 (—)
Tamil Nadu	1,645 (11)	379 (5)	571 (3)	182 (2)	521 (3)	120 (2)	3,339 (14)	809 (10)	497 (4)	460 (8)
Tripura	S	14 (—)	106 (—)	57 (—)	S	19 (—)	S	45 (1)	S	28 (—)
Uttar Pradesh	1,872 (12)	627 (8)	1,720 (8)	447 (5)	2,887 (17)	465 (6)	3,407 (15)	403 (5)	2,594 (21)	596 (5)
West Bengal	337 (2)	1,988 (24)	1,534 (7)	1,753 (19)	1,748 (10)	1,573 (21)	1,029 (4)	1,514 (18)	634 (5)	1,388 (23)
Total	15,253 (100)	8,135 (100)	21,674 (100)	8,931 (100)	16,699 (100)	7,538 (100)	23,496 (100)	8,199 (100)	12,267 (100)	5,791 (100)

Note : Percentages in brackets may not add up to 100 as figures below one per cent have not been considered.
S Indicates surplus. (—) Indicates below 1 per cent. Data for 1970 and 1971 are not readliy available.

TRADE WINDS

Study Group on Tax System

THE RECENT conference of Income-Tax Commissioners has appointed a study group to examine in-depth the suggestion of deputy prime minister (F), Mr Charan Singh, to fundamentally alter the base of the present tax system from income tax to expenditure tax.

The study group, which consists of senior income tax commissioners, would report back to the Central Board of Direct Taxes.

The board has already sanctioned the appointment of 500 new inspectors to conduct selective survey to detect new taxpayers and those concealing their incomes and wealth.

A large number of assistant commissioners, too, have been appointed to make assessments after thorough investigations in important cases involving tax evasion.

Panel on Drawback Procedures

The Finance ministry has constituted a high-level committee to remove the anomalies and simplify the existing procedures for the drawback of customs and excise duties. Mr Satish Agarwal, minister of state for Finance, said recently, that the committee which has already held its first meeting is expected to submit its report shortly.

Duty drawback rates for a variety of items have been raised substantially. The items include red lead, zinc oxide, plywood cases, fruits and syrups, canned fruits, candies, mango pulp and grape nectar.

The government has restored, with immediate effect, the duty drawback on exports of brass artware and electroplated nickel silver (EPNS). A notification in this regard was issued by the Finance ministry on May 24.

Committee for Medicinal Plants

The Development Committee for Medicinal Plants and Drugs has been expanded with 11 additional members. The committee was initially constituted by the ministry of Agriculture and Irrigation in January, 1977 with Inspector General of Forests and ex-officio additional secretary to the government of India as the chairman and 18 other members. The new members are : representatives from Directorate General of Technical Development; department of Chemicals and Fertilisers; Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council; office of the Development Commissioner, Small Scale Industries; Indian Council of Medical Research and Kerala Pharmaceuticals; directors of rigional research laboratories, Jammu, Jorhat, Assam, Bhubaneshwar; and Indigenous Medicine, Kerala and Assistant Inspector General of Forest.

The function of the committee is to consider the raw material supply position to the existing industries, identify the difficulties in ensuring sustained supply and recommend suitable measures for their expansion. It will also recommend programmes for the creation of plantations based on the present and prospective needs of raw materials; developmental/research programme in respect of these plants and drugs.

Curbs an Petrol Consumption

The ministry of Finance has issued fresh instructions, designed to reduce the actual consumption of petrol in respect of staff cars, service vehicles and field vehicles, maintained by government offices. These instructions have been necessitated by the pressing need to reduce the consumption of petrol in view of the high rate of growth of petrol consumption and the limited availability of crude oil and petroleum products in the international market. Under the new instructions, petrol consumed by staff cars will be restricted to 66-2/3 per cent of the quantity consumed in 1978-79. In respect of operational vehicles maintained by field officers, the limit will be 85 per cent of the consumption last year.

The limit of petrol consumption by cars used by ministers has been refixed at 900 litres per quarter. There is a ban on the purchase of new staff cars except in the case of new organisations which may be set up in future. When staff cars become due for replacement, the question of purchasing three-wheeler vehicles is to be examined. The decision whether a staff car can be replaced by a three-wheeler vehicle should be taken by the secretary of the ministry, before the proposal is sent to Finance ministry.

Financial advisers, attached to various ministries, are to undertake an immediate review of the strength of the staff cars and other vehicles including operational vehicles, maintained by the ministries and departments, so as to explore the possibility of reducing the number of vehicles by at least 10 per cent. The existing system of picking up employees going to duty or dropping them back after duty hours is to be reviewed immediately at the secretary's level in each ministry and department. Officers have been advised to use the staff car jointly in connection with official journeys. There is to be a complete ban on the parking of government cars at the residences of officers or drivers.

Review of Capital Goods Imports

The government empowered the Capital Goods Committee to decide on the question of import of capital goods for modernisation or replacements for the non-MRTP companies notwithstanding the restrictive conditions in their industrial licences. This has been done with a view to avoiding delays in the processing of capital goods import proposals by such undertakings. However, in the case of MRTP companies, it has been decided that it would be necessary for such undertakings to approach the department of Company Affairs with valid justification for deletion of this condition from the MRTP order before an application for import is made to the capital goods CG committee or other appropriate authority.

On a review of the capita goods import policy recently it was found that some of th industrial licences issued i the past carried restrictiv conditions in regard to impor of capital goods. Thus in consonance with the liberalised policy for import of capital goods being currently followed by the government it was considered fit to overlook the restictive conditions in industrial licences for purposes of import of capital goods.

Railway Know-how for Algeria

India has agreed to assist Algeria in the field of railway technology under a memorandum of understanding between the two countries. Under the agreement India will carry out feasibility studies and construction of an underground urban line to form part of the future railway network of the suburb of Algeria. It will also assist in setting up an organisation for modernisation of the operations of the existing rail network. India will assist in the setting up and operation of a cell for investigations of soil mechanics and geotechnic problems including stability of embankments and the foundations of bridges.

Assistance to Nigerian Railways

The Indian railways management team and the task force now in Nigeria has effected an all-round improvement in the functioning of the Nigerian Railways, according to the chairman of the Nigerian Railway Corporation, Col. J.T. Useni, who called on the Railway minister, Prof Madhu Dandavate recently, along with five other members of the Nigerian railway delegation. Col. Useni paid warm tribute to the Indian railway experts and technicians for their professional competence, efficiency, hard work and cordial relationship with the local people. The Indian Railways team, Col. Useni said, even in their short period of stay, has made significant impact on the Nigerian Railways. This is reflected in more earnings, speedier movement of goods, better utilisation of wagons, proper maintenance of locomotives and other equipment and increased frequency and enlarged composition of passenger services in Nigeria.

The top management team of 36 Indian Railways experts and a task force of 398 technicians and officials was sent to Nigeria early this year to provide necessary management support to the Nigerian Railways for a period of three years. Indian Railways provide management support to

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the Nigerian Railways in areas like utilisation of rolling stock, passenger and goods operations infrastructure, including communications, importance of financial viability and setting up of training facilities etc. The Indian Railways team is in Nigeria in pursuance of an agreement signed on October 5, 1978 at Lagos between the Nigerian Railways and the Rail India Technical & Economic Services, a public sector company of the ministry of Railways.

Paper Know-how for Kenya

The Indian technological know-how and managerial expertise in the paper industry is being increasingly sought in the Third World countries. The Kenyan government has invited an Indian firm to help it in a major expansion programme of its Pan African Paper Mills, involving an outlay of Rs 200 crores. The president of Kenya, Mr D. T. Arap Moi formally launched the expansion programme at Webuye, on May 26. Mr G.P. Birla, chairman of the Orient Paper Mills, attended the function. The expansion programme seeks to raise the installed capacity of the Pan African Mills from 45,000 tonnes annually to 60,000 tonnes. Pan African Mills is the largest single Indian joint venture abroad. It was set up in 1974 jointly by the government of Kenya, the International Finance Corporation, the Orient Paper Mills and the East African Development Bank. It meets about 80 per cent of Kenya's paper requirements. Kenya is the second African country where India's paper technology has been sought to set up joint paper plants. There is another joint Indian paper venture in Nigeria.

Trade with Nigeria

The need for concluding an agreement on economic and technical cooperation with Nigeria has been underlined by the Indian Institute of Foreign Trade (IIFT). Specific project could be identified in which India could render economic cooperation by providing men, material and training facilities to Nigeria. According to the institute, there are very good prospects for promoting joint-ventures in Nigeria as the investment climate is quite favourable. It is suggested that Indian trade and industry should take advantage of the opportunities that are being thrown up

FOR THE ATTENTION OF TAX-PAYERS LIABLE TO PAY ADVANCE TAX BY 15th JUNE, 1979

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Persons previously assessed to Income-tax are required to send to their ITOs a Statement of Advance Tax payable in Form No. 28-A based on the last assessment or return whichever is higher. If however, the current income is less, they should in lieu of statement, send an estimate in Form No. 29.

If 75% or more of a tax payer's income is from source(s) for which the accounting period ends on or before 31st December, 1979, the statement/estimate should be submitted and the first instalment of advance tax paid on or before 15th June, 1979.

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following the implementation of the third national development plan in that country.

IDA Assistance for REC

International Development Agency (IDA), an affiliate of the World Bank, will give a credit of 175 million US dollars for a rural electrification projects in India. The credit is aimed at supporting the overall lending programme of the Rural Electrification Corporation Ltd (REC). The credit will be for 50 years including 10 years of grace. No interest charge has been stipulated but three-fourth of one per cent every year will be charged to cover administrative expensive.

The project is expected to benefit about 2.5 million households in 15,000 villages. It will help finance about 1,700 rural electrification schemes of the state electricity boards in 14 states. The credit will also be used to assist REC in carrying out two pilot schemes—a single phase scheme in Rajasthan and a power factor control scheme in Karnataka. Of the total credit, the government will provide 113 million dollars, while the Agricultural Refinance and Development Corporation (ARDC) and other domestic financial institutions will contribute $ 56 million each.

Cement Corporation Plans

The government is constituting an inter-ministerial group comprising officers of the ministries of Industry, Energy and Railways, and Planning Commission to speedily work out the details for the implementation of a short term as well as a 10 year plan for the Cement Corporation of India.

The corporation proposes to augment its present installed capacity of 0.8 million tonns per annum, which is only three per cent of the total capacity in the country, to 18.97 million tonns by 1988-89, at a cost of about Rs 1018 crores.

Cement being a vital component in developmental projects, the ministry of Industry has launched a campaign to augment its production and availability. Mr George Fernandes, addressing the officers of the concerned ministries, emphasised the need to ensure that linkages with railways and coal production were clearly established so that inputs for the expanded production capacities of CCI were made available.

Air-India

Air-India has set a new record in profit in 1978-79 with Rs 28.5 crores compared to Rs 28.45 crores in the previous year, Mr K.G. Appusamy, managing director of the airlines stated recently. In a statement on the eve of his retirement, Mr Appusamy said with the government equity capital of Rs 33.41 crores Air-India's net worth today stands at over Rs 180.00 crores. Of the total accumulated profits of Rs 96 crores made since nationalisation in 1953, Rs 76 crores were made in the last three years, despite several adverse factors in the aviation industry, he added.

Referring to expansion plans, Mr Appusamy said that with four additional Boeing 747 due to be delivered between August this year and March, 1980, Air-India was planning to introduce 747 on its Indo-Japan route and also introduce services between India and Canada using Paris as a gateway from Europe.

Planning Commission on Gold Imports

The Planning Commission strongly opposed the suggestion of importing gold to curb the prices of the yellow metal. The Commission is also against the reopening of the gold auctions by the Reserve Bank of India. It feels that both these measures would be inadequate to control the gold prices which have touched an all time high not only in this country but in the international market also.

In a comprehensive paper prepared for the ministry for Finance, Planning Commission experts have pointed out that, no doubt the country had a very comfortable foreign exchange position but this precious facility should not be wasted on the import of an item like gold. On the contrary, import of capital goods should be encouraged to give a fillp to the domestic industry. It has also been pointed out that with the shooting international prices of gold it would not be worthwhile to import gold. Currently on account of fear of a new flare up of world-wide inflation, the price of the metal has zoomed up and is expected to increase further. Another factor that has added to the international prices of gold is the prospect of further increase in the oil prices by the OPEC countries, and has created panic situation in the world markets.

The Commission has argued that with the narrowing of gap between the international and domestic prices of gold the fear of increase in smuggling activities is unfounded. The Commission is extremely indifferent to the increase in the prices of gold. It has argued that this is not an essential item bought by the masses.

Names in the News

The government of India has nominated **Mr W.K. Mangaokar**, manager, project finance division, Industrial Development Bank of India, Bombay as a director of the same bank from amongst the officer employees for a period of three years.

Mr Kulwant Rai, president of Ram Krishan Kulwant Rai group, New Delhi, has been elected vice-president of Federation of Engineering Industries of India.

Mr S.P. Chibber has taken over as chairman-cum-managing director of National Textile Corporation (Delhi-Punjab-Rajasthan) Limited, New Delhi. Prior to this appointment, Mr Chibber was chief financial adviser of the NTC holding company.

Dr N.P. Agarwalla, manager of business development, Engineers India Limited, has been deputed to Knwait as the chief executive (Kuwait), of Bridge and Roof Company (India) Limited. He will be responsible for securing and supervising business in the Gulf tegion on behalf of Bridge and Roof, including the IBP and Balmer Lawrie group of companies, and also Engineers India Limited.

Mr L.U. Shegaonkar has been elected president of Pesticides Formulators Association of India. **Mr P.S. Pratap** is the vice president and **Mr J. M. Modi** is secretary.

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COMPANY AFFAIRS

Baroda Rayon

THE BOARD of directors of Baroda Rayon Corporation Limited, which has recommended a dividend of Rs 12 per equity share (each of Rs 100 paid up) for the year ended December 31, 1978, reports to the shareholders that the company was able to achieve higher levels of output thanks to the adequate availability of raw materials such as rayon grade woodpulp, caprolactam and DMT. The upsurge in demand for the company's products was also helpful in improving the turnover. The reduction in the cost of caprolactam, the main raw material for the production of nylon yarn made some contribution to profitability and besides this there was also the lower cost of finance due to reduction in borrowings. The company successfully introduced special yarns in nylon and polyester.

The working results of the company would have been better but for the fact that the excise duty on the man-made fibre industry is being continuously stepped up. In fact the present position is that this tax burden on nylon and polyester yarn amounts to almost 105 per cent of the net ex-factory price. Another interesting piece of statistics is that the share of excise duty in the company rupee was 39.06 paise as compared with the share of raw materials, manufacturing expenses and services at 34.45 paise. Consequently, although the turnover for the year was Rs 43.65 crores, compared to Rs 43.54 crores in 1977, the proceeds net of excise duty were only Rs 26.42 crores as against Rs 26.79 crores in the previous year.

Working Results

As against the gross profit of Rs 8.13 crores (Rs 5.57 crores), the net profit worked out to Rs 5.66 crores (Rs 3.93 crores). The proposed dividend (including dividend on preference shares) would absorb Rs 1.02 crores while Rs 2.06 crores are being appropriated to general reserve No. 1 and Rs 2 crores to general reserve No. 2. Incidentally general reserve No. 2 has been newly created and the company will be able to provide from these funds for tax liabilities, if any, should decisions go against the company in respect of the provisions for taxation which have now been made keeping in view the decisions of courts and appellate authorities.

The company has made good progress with its nylon tyre cord project. The civil engineering work has commenced, most of the imported machinery and equipment has reached the factory site and efforts are being made to commission the plant in two years' time. Meanwhile the programme of modernisation and expansion of the company's rayon plant from the existing capacity of 3,000 metric tonnes to 4,500 metric tonnes per year and the nylon plant from the existing 1,740 metric tonnes to 2,436 metric tonnes is going on satisfactorily. Its capacity for the manufacture of 1,980 metric tonnes of carbon-di-sulphide was recognised by the government recently. Moreover a letter of intent was received in March this year for increasing the capacity for sulphuric acid from 14,400 metric tonnes to 21,600 metric tonnes.

While the company's subscribed share capital stands at Rs 8.70 crores, its reserves and surpluses amount to Rs 11.55 crores. The pattern of shareholding is rather interesting. Out of a total of 32,289 shareholders, 33 hold shares numbering 1001 or more and their combined holdings account for 43 per cent of the equity shares of the company. Slightly more than eight per cent is held by shareholders owning between 101 or more, but not more than 1000 shares each. Those holding 100 shares or less each number in all 31,948 and own cumulatively nearly 49 per cent of the total number of equity shares, out of them, shareholders with 10 shares or less each account for about 19 per cent of the total shares.

Sandoz (India)

The preliminary statement from Sandoz (India) on its working results for 1978 reveals a marked improvement over its previous year's performance. The dividend has been kept unchanged at 16 per cent and is payable on the increased capital resulting from a one-for-three bonus issue. The net turnover at Rs 43.35 crores shows an increase of 19.2 per cent over the previous year's figure of Rs 36.35 crores. The gross profit is up by nearly 33 per cent from Rs 5.56 crores to Rs 7.39 crores. While the Agro-chemical division is stated to have made an important contribution to the increased turnover, cost control measures and more effective use of facilities at its disposal including R and D facilities, have helped the company to improve its profitability during the year. The net profit of the company after making usual provisions is placed at Rs 1.53 crores against Rs 1.06 crores in 1977. Dividend will absorb Rs 40 lakhs against Rs 30 lakhs in 1977.

Madras Aluminium

The Madras Aluminium Co has reported a peak production of 23,117 tonnes during its working for 1978. It would have been better had the company been supplied with additional seven MVA of power. Net sales have risen from Rs 13.87 crores in 1977 to Rs 19.89 crores in 1978 and the gross profit for 1978 has been placed at Rs 310.17 lakhs. After providing Rs 199.14 lakhs (Rs 189.91 lakhs) for depreciation, there is a net profit of Rs 111.03 lakhs against the net loss of Rs 159.37 lakhs. This will be utilised for providing arears of depreciation for 1977 in the next year. Sales of metal were higher at 22,710 tonnes against 17,488 tonnes.

The directors state that the profitability has been improved through cost reduction, increased efficiency and selection of product mix. The company has entered into an agreement with the Andhra Pradesh government, with concurrence of the Tamil Nadu government, to barter 6,000 tonnes of aluminium during 1979 for 120 million units of power to be supplied by the

Andhra Pradesh government during the summer months. This agreement is for a period of two years—up to the end of 1980. With this and with the commissioning of the Tuticorin project during July, 1979, which could add another 200 MW to the Tamil Nadu grid, the company hopes to be free from the hazard of power cut to a considerable degree at least up to the end of 1980. With additional power being made available, the company will be able to carry out its expansion programme from 25,000 to 31,000 tonnes per annum. This is expected to the finalised in July, 1979.

Satisfactory progress has been achieved towards the implementation of the diversification projects, which would consist of production of aluminium extrusions (2,000 tonnes per annum) and continuous cast sheets (7,000 tonnes per annum), Besides, the company has the expansion programme to produce alumina at the enhanced rate of 140 tonnes a day.

Podar Mills

The Podar Mills has reported an improvement in its working during 1978. Sales have risen from Rs 17.37 crores in 1977 to Rs 19.93 crores in 1978. The gross profit during the year was Rs 129.46 lakhs. After providing Rs 37.88 lakhs (Rs 38.91 lakhs) for depreciation, there is a net profit of Rs 91.58 lakhs against the net loss of Rs 20.80 lakhs, in the preceding year. No dividend has been proposed for the year. The working in the first four months of the current year has been satisfactory, but there is uncertainty owing to 50 per cent power cut from the middle of May. The cam-

pany's application for a soft loan for its modernisation programme is expected to be cleared by the IDBI shortly.

Andhra Bank

Net profits of Andhra Bank for 1978 has been higher at Rs 101.06 lakhs (including Rs 72,644 brought forward from the previous year) against Rs 71.72 lakhs (including Rs 64,559 brought forward from the previous year). After transferring Rs 80 lakhs (Rs 50 lakhs) for reserve fund, Rs 2.75 lakhs (Rs 4 lakhs) for investment fluctuations reserve and Rs 2.25 lakhs (Rs 2 lakhs) for development reserve, a sum of Rs 16.06 lakhs (Rs 15.72 lakhs) is available for distribution. Dividend has been maintained at 15 per cent.

Albright Morarji

Albright Morarji and Pandit has announced a bonus issue of one share for every three shares held by capitalising a sum of Rs 70 lakhs from the general reserve. The com-

punjab national bank

HEAD OFFICE: 5, SANSAD MARG, NEW DELHI

STATEMENT OF POSITION

31st December 1977				31st December 1978
Rs.		LIABILITIES		Rs.
2.00.00.000		Capital : Paid up Capital		2.00.00.000
11.89.30.000		Reserve Fund etc.		12.74.30.000
1410.55.70.036		Deposits and other Accounts		1717.16.41.650
65.51.69.456		Borrowings from Banks and Agents etc.		38.12.77.794
17.20.49.565		Bills Payable		29.46.71.211
80.84.37.596		Bills for Collection per contra		98.17.95.077
29.40.36.249		Other Liabilities		36.13.82.320
128,97,84,185		Acceptances, Endorsements etc.		200.79.93.358
		PROFIT & LOSS ACCOUNT		
	3,40,50,136	Profit for the year	3,40,00,483	
		Less : Transferred to		
	68,50,000	(i) Reserve Fund	85,00,000	
	2,05,00,000	(ii) Contingency Reserve	1,88,00,000	
67,00,136		Balance transferred to Central Government		67,00,483
1747,06,77,223				2135,28,91,893
		ASSETS		
150,29,68,217		Cash in hand and with banks		199,54,56,714
9,00,00,000		Money at Call and Short Notice		1,27,00,000
442,18,84,271		Investments (at or below cost)		539,27,76,788
876,80,89,352		Advances		1021,66,80,371
80,84,37,596		Bills for collection per contra		98,17,95,077
128,97,84,185		Acceptances, Endorsements etc.		200,79,93,358
2,10,65,038		Premises		2,41,68,552
5,31,49,501		Furniture & Fixture		6,43,91,024
51,51,99,290		Other Assets		65,68,31,775
99,773		Non-Banking Assets		98,234
1747,06,77,223				2135,28,91,893

pany had also issued bonus shares in the ratio of one-for-two in 1976 by capitalising Rs 70 lakhs. Prior to that the company capitalised a sum of Rs 40 lakhs in 1971 when it issued bonus shares in the ratio of two shares for every five shares held.

New Great Eastern

The New Great Eastern Spg. and Wvg. Co has suffered a setback in its working for 1978. Dividend has, however, been maintained at 12 per cent. Sales have gone down from Rs 18.81 crores in 1977 to Rs 16.11 crores. Gross profit has also been lower at Rs 87.45 lakhs against Rs 104.49 lakhs in the previous year. Allocations include depreciation of Rs 40.53 lakhs (Rs 37.71 lakhs) and investment allowance reserve Rs 11.83 lakhs (Rs 24.78 lakhs). Dividend will absorb Rs 8.84 lakhs (same) and a sum of Rs 2.40 lakhs (Rs 12.95 lakhs, has been transferred to general reserve. The board states that the results were adversely affected because of strikes, labour unrest and go slow tactics adopted by the workers during the year.

ACC

The prospects for the Associated Cement Companies (ACC) have brightened considerably with the recent introduction of the three-tier pricing system and consequent increase in retention prices for cement. The average price increase for cement in the case of ACC works out to over Rs 30 per tonne from the earlier uniform retention price of Rs 168.91 per tonne. This would mean an additional revenue of Rs 18 to Rs 20 crores for a full year on its current production level of about 6.4 million tonnes. The price revision, which came into effect from May 3, would generate an estimated surplus of Rs 5 crores for the current year ending July 31, 1979. A part of this sizable gain is likely to be offset by the normal escalation in costs witnessed in the past few months. But, cement retention prices are again due for an annual revision to update cost escalations on July 1, 1979.

Turning the Corner

Out of the company's 17 factories, nearly half were incurring losses because of the unremunerative prices. With the recent price revision, all the factories except one with a small annual production of 50,000 tonnes have turned the corner and started earning profits. The full impact of the price revision will be felt next year, which would also have the benefit of additional capacity and large capital investment and the consequent substantial tax benefit.

In view of the encouraging pricing formula for new cement units and expansions, the company has embarked upon a sizable expansion at an estimated cost of Rs 105 crores. The expansion is expected to be completed within a couple of years. The company is expanding its three units, namely Wadi, Chanda and Jamul works, with the Japanese precalcinator technology. This would enable it to create an additional facility of 460,000 tonnes by early 1980. The expansion of the Wadi works by a further one million tonnes and the commissioning of the Gagal factory in Himachal Pradesh are expected to be completed by 1981-82. Thus, the company's installed capacity would increase from seven million tonnes to nine million tonnes by 1981-82.

OCM Ltd

OCM Ltd, plans to instal 12 high-speed shuttleless automatic looms which are scheduled to go into operation in 1980-81. The company has at present 32 automatic looms of the total loomage of 100 and manufactures about 1.25 million meters of woollen or synthetic blended fabrics per annum. The company has received an encouraging response from dealers in Punjab and Delhi to its range of products programmed for manufacture for the coming winter season. Bookings in Amritsar exceeded the target by Rs 40 lakhs at Rs 90 lakhs. Bookings in Delhi on the first day were around Rs 50 lakhs and are likely to be between Rs 80 and Rs 90 lakhs, according to Mr M.B. Saksaria, vice-president of the company.

Digvijay Cement

Shree Digvijay Cement Co has shown good results for 1978. The company's turnover has risen by about 25.3 per cent from Rs 23.63 crores (in 1977) to Rs 29.62 crores and the gross profit by 60.4 per cent from Rs 2.71 crores to Rs 4.33 crores. The directors have maintained an equity dividend of 14 per cent on a higher capital resulting from the bonus issue in the one-for-five ratio. The production of cement rose from 894,000 tonnes in 1977 to 974,000 tonnes and that of asbestos product from 49,855 tonnes to 51,843 tonnes. The output of clinker was maintained at 837,000 tonnes. The inadequate availability and inferior quality of coal is viewed by the management, however, as a matter of serious concern. It fears that the plant operations during the current year may well be affected adversely by this factor unless the situation improves.

The sales included imported cement worth Rs 4.38 crores (nil) and asbestos products worth Rs 11.96 crores (Rs 10.43 crores). The goverment has recently announced a new price structure for the cement industry, introducing a three-tier system based on cost basis, in lieu of the uniform retention price for cement. The impact of the price increase based on the new pattern will be reflected in the current year's working of the company.

Out of the gross profit, depreciation claims Rs 66.32 lakhs (Rs 62.40 lakhs), taxation Rs 1.95 crores (Rs 1.15 crores) and investment allowance Rs 15 lakhs (Rs 6 lakhs). The proposed dividend will absorb Rs 47.09 lakhs (Rs 40.11 lakhs) and the general reserve Rs 1.10 crores (Rs 47 lakhs).

Gokak Patel Wolkart

Gokak Patel Volkart proposes to set up a textile mill in Indonesia. A new company will be incorporated shortly for the purpose in Indonesia under the name P.T. Gokak Indonesia. Gokak Patel Volkart propose to invest up to 20 per cent in the share capital of the new company, while the balance will be subscribed by Latham Finance Co Ltd, Warrior Investment Co Ltd, Seamco Holdings Ltd and PT Inter Pacific Finance Corporation and Thakral Brothers Inc. Panama, either directly or by their nominees or associates. The company's investment of Rs 37 lakhs will be in the form of machinery under deferred credit facility of the IDBI, repayable over a period of years.

The company did well in 1978 and the dividend has been raised from 16 per cent to 22 per cent. Demand for yarn produced by the company's textile division was steady and production was well maintained. The company has prepared a modernisation plan and has applied for a soft loan of Rs 3.72 crores from a bank. Despite difficult conditions, the gross revenue of the shipping department was only marginally lower than in the previous year. Operations of the travel department and air freight department have resulted in a higher turnover.

Permanent Magnets

Permanent Magnets has reported an all-round improvement in its working results for 1978 and the equity dividend has been raised from 12 per cent to 15 per cent. According to the preliminary statements sales have risen by 14.3 per cent from Rs 2.44 crores in 1977 to Rs 2.72 crores in 1978. The gross profit increased by 64 per cent from Rs 27.31 lakhs to Rs 44.80 lakhs. After providing Rs 13.99 lakhs (Rs 10.30 lakhs) for depreciation, Rs 5.15 lakhs (Rs 35,000) for investment allowance, Rs 6.58 lakhs (Rs 1.09 lakhs) for capital expenditure on scientific research and Rs 4.95 lakhs (nil) for taxation and after some adjustments, a sum of Rs 7.10 lakhs (Rs. 8.70 lakhs) has been transferred to general reserve. Dividend will absorb Rs. 6.20 lakhs (Rs 4.96 lakhs).

Sales of cast magnets have gone up owing to an increase in selling prices consequent to a rise in raw material prices. Sales of ferrite magnets could not be improved except marginally owing to lesser production due to technical problems and breakdowns. Exports were higher than those during the previous year. Production of cast magnets was higher at 152.7 tonnes against 140.7 tonnes, while that of ferrite magnets was lower at 208 tonnes against 217 tonnes in the current year.

Aditya Mills

Aditya Mills has proposed to give its shareholders a 3-for-5 bonus issue and increase equity share dividend to 15 per cent for the year 1978 against eight per cent paid in 1977. Production of synthetic blended and special yarns has risen by 29 per cent to 1.125 million kgs from 867,000 kgs Sales have risen by over 30 per eent to Rs 16.09 crores from Rs 12.00 crores and the gross profit has more than doubled to Rs 113.25 lakhs from Rs 49.47 lakhs in 1977. After providing Rs 23.26 lakhs (Rs 20.16 lakhs) for depreciation, Rs 2.22 lakhs (Rs 10 lakhs) for investment allowance reserve and Rs 45 lakhs (Rs 0.70 lakhs) for taxation, the net profit works out at Rs 42.77 lakhs against Rs 18.51 lakhs in the previous year. Equity and preference dividend will absorb Rs 13.36 lakhs (Rs 11.61 lakhs). A sum of Rs 29.50 lakhs (Rs 7.12 lakhs) has been transferred to general reserve.

In spite of the hike in excise duty on polyester fibre and yarn made from blends and increased input costs, the textiles division worked satisfactorily. The company worked its spindlage during the year for the manufacture of synthetic and blended yarn as far as possible. It also started the manufacture of suitings and shirtings from its own synthetic blended and special yarn which are gradually gaining in popularity. The company has launched a modernisation and expansion scheme at a total cost of Rs 350 lakhs which envisages the expansion of spindlage by 12,932 to 50,156 spindles. The cost of the expansion is proposed to be met through loans of Rs 250 lakhs from financial institutions and the balance from internal accruals. Construction work has started and the scheme is likely to be implemented by the year-end

Hindustan Kokoku Wire

Hindustan Kokoku Wire has maintained the equity dividend for the year ended March, 1979 at 10 per cent on the increased capital resulting from the one-for-one bonus issue. But the company has by no means fared better than in 1977-78. The gross profit has declined even though production and sales have been higher. Production of wires increased from 12,090 tonnes to 13,171 tonnes and sales from Rs 6.24 crores to Rs 6.96 crores. The gross profit has fallen to Rs 38.81 lakhs from Rs 42.52 lakhs. After providing Rs 12.25 lakhs (Rs 11.69 lakhs) for depreciation, Rs 2.46 lakhs (Rs 10.72 lakhs) for investment allowance reserve, Rs 7.10 lakhs (Rs 5.30 iakhs) for taxation and making certain adjustments, there is a disposable surplus of Rs 17.14 lakhs against Rs 15.52 lakhs. Equity dividend will absorb Rs 4.80 lakhs (Rs 2.40 lakhs). A sum of Rs 12.30 lakhs (Rs 13.10 lakhs) has been transferred to general reserves.

Raj Prakash Chemicals

Raj Prakash Chemicals, issued on May 31, 336,000 equity shares of Rs 10 each at par. The proceeds of the issue will be utilised for financing the Rs 1.72 crores project being set up at Tarapur (Maharashtra), for the manufacture of acrylic ester monomers. Its licensed capacity is 3,000 tonnes per annum. Initially, it will manufacture 1,000 tonnes of methyl acrylate, ethyl acrylate and butyl acrylate. These acrylic ester monomers are widely used in textiles, paper, leather and paint industries. The current annual consumption of these monomers is estimated at 3,200 tonnes. There is only one unit in the country manufacturing these monomers for its captive consumption and the domestic demand is met by imports.

Indian Council of Agricultural Research

Extension of time for receiving suggestions

Suggestions were recently invited for amendment of Rules and Bye-laws of the ICAR Society to improve the efficieney and effectiveness of the organisation. The last date for receiving such suggestions has now been extended upto 20th June, 1979.

Secretary,
ICAR,
Krishi Bhavan,
New Delhi-110001.

davp 79/77

Indian economy : World Bank's assessment

The Aid-India Consortium, scheduled to meet in Paris on June 7 and 8 under the chairmanship of World Bank, is expected to maintain its assistance this year for our economic development programmes at the same level as in the last two years—pledges around $2.5 billion, gross disbursement around $1.8 billion and net disbursement in the neighbourhood of $1.2 billion. An indication to this effect was given by the vice-president of the World Bank for the south Asia region, Mr David Hopper, a few days ago.

THE BANK, Mr Hopper said, is expected to propose continued aid to India from the IDA at the 40 per cent level for the next replenishment period as well. Indications are that the IDA is likely to get anywhere between $11 and $15 billion for the next replenishment period. India is the largest beneficiary of this sort of loans window of the Bank.

The consortium consists of Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Sweden, the United Kingdom, the United States, the World Bank, the International Monetary Fund and the United Nations Development Programme. The representatives of the Development Assistance Committee of the Organisation of the Economic Cooperation and Development, the European Economic Community and the government of Switzerland will attend the consortium meeting as observers.

The pledges and disbursements about aid for India's development programmes this year will be considered in the light of the World Bank's assessment of the performance of this country's economy. This assessment is reproduced below:

India is a large, low-income country with 640 million people whose average income is $150 per annum. The agricultural sector dominates the economy, employing over two-thirds of the labour force and contributing over 40 per cent of value added. The great poverty and the immense development problems which remain to be dealt with tend to disguise the present and potential economic capacity. Even though millions of farmers still use ancient technology, India is the fourth largest foodgrain producer in the world and a leader in wheat research. India's medical research is at the frontier of reproductive biology. The thousands of bullock carts compete for space on the highways with entirely indigenously produced trucks.

Slow Growth

Economic growth has been slow in the past, with Gross Domestic Product (GDP) growing at a rate of 3.6 per cent per aunum from 1950 to 1975. Agricultural output grew at 2.4 per cent per annum over the same period. Slow growth in agriculture acted as a drag on overall growth, not only because of its sheer weight in the total, but also because of the need to use of scarce foreign exchange to import food. Growth in industrial output has been higher at 5.2 per cent per annum between 1950 and 1975, but not as high as in many other developing countries nor as high as can be expected. (Money figures are expressed in US dollar equivalents.)

Diversified Structure

India has the capacity to grow and develop at a more rapid pace than has been achieved so far. Although the industrial sector is small compared to the size of the total economy, it nevertheless has a highly diversified structure and is capable of manufacturing a wide variety of consumer and capital goods. Basic infrastructure—irrigation, railways, telecommunications, roads and ports—is extensive compared to many countries although considerable gaps remain. India is rich in human resources and institutional infrastructure. India is reasonably well-supplied with natural resources, not only land and water but also minerals, including oil, gas and coal. With good economic policies and sufficient access to foreign savings, India should be able to manage these considerable resources to accelerate the longer-term growth trend.

India has achieved faster growth during the recent past. Growth of GDP in 1978-79 is estimated to be between three to four per cent, this is a strong performance coming on top of the previous year's 7.2 per cent growth in GDP and considering agricultural output grew less than two per cent. Even this agricultural growth is creditable given the previous years' record harvests in most crops. Industrial output grew by 8-10 per cent in 1978-79. Over the four years, 1975-76 to 1978-79, growth in real GDP, agricultural output and industrial output has averaged 5.3 per cent, 4.4 per cent and 6.9 per cent per annum, respectively.

Revival of Demand

There was also a revival of demand. The long awaited stimulus from rising incomes and public investments started to emerge. Consumer goods sales as well as households investments were buoyant and even corporate investment might be coming out of its stagnation. Although some shortages appeared as a result, the overall price rise was mild. The country's balance of payments again yielded a surplus despite a growing trade deficit.

Economic policy developments reflected, in general, the priority attached to agriculture and the trend towards some liberalisation in industry. The Indian government's budget for 1979-80 allocated increasing outlays for agricultural programmes. The incentives for farmers were reinforced by higher rice and wheat procurement prices, by extending price support to other crops as well and, more recently, by reducing fertilizer prices and agricultural interest rates.

Given the favourable conditions, particularly regarding resources, the important questions of Indian economy policy centred, as they have for the last two years, on how the continuing opportunity was being utilised to improve the longer-term prospects for the economy.

Bumper Crops

Agriculture: The 1978-79 foodgrains crop exceeded the 1977-78 record crop of 126 million tonnes and many non-food crops did well. The 1978 monsoon rains were timely and adequate, although severe flooding in some areas destroyed both lives and property and ruined some crops. The basic inputs into agricultural production continued their rapid growth of the recent past. Additions to area under irrigation have doubled from 1.3 million hectares a year during the five-year period ending 1973-74 to 2.6 million hectares a year during 1977-78 and 1978-79.

Fertilizer consumption in 1978-79 reached five million nutrient tonnes, an increase of 18 per cent over 1977-78. This growth is impressive, particularly since it follows two successive years of very high growth—18 per cent in 1976-77 and 26 per cent in 1977-78—so that fertilizer consumption is now 75 per cent higher than it was in 1975-76. These rates of growth in agricultural input and output are evidence that the good harvests of 1975-76 and 1977-78 were not isolated peaks resulting from good weather alone but represent an increased agricultural production capacity.

A crucial element in achieving the economic and social objectives of India will be the future growth of agriculture. This sector supplies over 40 per cent of the national product, and greatly affects the performance in other sectors. Moreover, the future of about 290 million people who live in absolute poverty in the rural areas also depends on the growth of agricultural production. India's draft sixth five-year plan anticipates agricultural output to grow by four per cent per annum. These rates are higher than the historical long-term trends though they are below the average growth rate of the last four years.

Record Growth

Industry: Indian industry recorded growth in 1978-79 was about twice the average growth rate for the last decade, raising hopes that the long slump in industrial expansion may be coming to an end, and that a period of rapid industrial investment may ensure. In some cases—cement, petroleum and petrochemicals, fertilizer and power—a long period of rapid expansion and high utilisation of capacity is clearly feasible. In the bulk of the industrial sector, however, the prospects are less clear and the pace and pattern of investment will be determined largely by the decisions of private entrepreneurs reacting to profitability signals and government policies. The most disturbing and seemingly chronic supply problem for industrial development is the inadequate and unreliable availability of power. In addition to constraining the utilization of existing industrial capacity, power shortages influence investment attitudes, primarily because the problem is expected to continue over the medium term.

Electric Power: The power sector in India has grown rapidly; capacity has increased from 2,300 megawatts in 1951 to 26,000 megawatts at the end of 1977-78. As electricity demand has grown, its structure has changed. Among sectors, the most pronounced shift has been towards agriculture, where growth has been very rapid from a small base. Part of the effort to develop rural areas has been to extend the rural electrification network as fast as possible. The percentages of villages receiving electricity has increased from 0.5 per cent in 1950-51 to just over 38 per cent in 1977-78. The number of pumpsets electrified has risen over the same period from 21,000 to over 3.3 million—at an average annual rate of 21 per cent.

Lagged Investment

Since 1970-71, growth has not kept pace with demand: the annual average growth rate of capacity was 6.6 per cent between 1970-71 and 1977-78 compared with 10.3 per cent in the previous two decades. Investment in transmission and distribution has also lagged. Shortages of electricity became chronic and widespread, with serious impact on the economy at large.

India's draft five-year Plan estimates the unrestrained growth of demand for electricity to average 8.4 per cent over the next five years or so and 10 per cent per annum thereafter until 1987-88. The Plan envisages an expansion of capacity from 26,000 MW to 44,500 MW by 1983.

Population : India's population policy continues to ai
at reaching a birth rate of
per thousand by March 198
from the officially estimat
level of 33 per thousand. T
major shifts in the policy ar
(a) acceptance of any fertili
control method must be com
letely voluntary; (b) activiti
to promote family planning
family welfare are being i
creasingly integrated wi
services for basic healt
maternal/child health a
nutrition, with the longer-ter
aim of linking them wi
economic and social develo
ment as well; and (c) a maj
effort has been launched
accelerate the improvement
health and fertility contr
services for the lower incon
groups particularly in the rur
areas, involving a significa
shift in the urban-rural patte
of expenditure on such pr
grammes.

During 1977-78 there we
4.5 million acceptors agai
an expectation of 10 millio
This performance was equall
or surpassed in the early 197
Overall, the 1977-78 resu
were some 50 per cent bel
the level needed to bring t
birth rate down to 30 p
thousand by the end of 1983

The Goal

The goal had been origina
set for 1979 but was recen
deferred by four years in vi
of the programme's depress
performance. The picture lo
somewhat better for 19
79: three-quarters throu
the fiscal year, though o
52 per cent of the 8.5 milli
target set for the year, to
acceptors were about 29
cent above the level for
same period a year a
Acceptances as a whole, a
for each method, are comp
able to the levels achieved
1973-74, possibly indicat
that national performance

radually returning to the ently rising trend which was iscernible before it was disupted by the intensive drive f 1976-77.

External Assistance : With ne change in the composition f aid commitments from ood, debt relief and other programme aid to project aid, the evel of net disbursements fell rom a peak level of $1,810 nillion in 1975-76 to $ 983 nillion in 1977-78. In 1978-79, he level of disbursements rose back to an estimated $1,080 nillion. This, together with he rapid increase in imports luring the past two years, eflects the growing absorption of external resources by the Indian economy.

Some developing countries, which have not achieved as high a savings rate as India, have still been able to sustain a high investment rate by augmenting their domestic resources from overseas. For India, on the other hand, the bulk of the resources for investment has always come from domestic savings. The relatively low share of domestic investment financed by foreign savings is perhaps inevitable in such a large country as India.

Declining Trend

The declining trend over time also reflects the limited and uncertain availability of external assistance, which compelled India to severely restrict imports during India's third and fourth five-year Plans. In the early years of the fifth Plan aid commitments and to a lesser extent aid disbursements were increased in response to the balance of payments difficulties created by domestic crop failures and the deterioration in India's terms of trade following the oil price increase. However, with subsequent sequence of good harvests, and the spin-off benefits from increased development works in the middle east — i.e., an expanding market for India's exports and the rising inflow of remitances from Indians working overseas—India was able to withstand these pressures, and ended up with a current account surplus in both 1976-77 and 1977-78. With the limited scope that now exists for further rise in the domestic savings rate, a substantial increase in the draft on foreign savings will be required, if the investment programmes of the draft plan are to be realized.

Reducing Rural Poverty

More than one-third of the world's poor live in India. There are about 290 million people in India who fall below the minimum acceptable standard of living. More than 80 per cent of the poor live in the rural areas. The incidence of poverty in India is highest among agricultural labour households and small cultivators. More than one-fourth of rural households depend on labour income for their livelihood and own very little or no land. Less than one per cent of the landholdings in the country account for 25 per cent of land area and of the foodgrain production whereas smaller holdings account for 50 per cent of the total holdings but only 10 per cent of land and of foodgrain production.

Agriculture labour households and small cultivator households are increasing faster than rural households. The number of marginal holdings—below one hectare—increased by about 51 per cent from 23.6 million to 36.6 million during 1961-70, and the number of agricultural labourers increased by about 75 per cent from 27 million to 47 million. The improvements in the living standards of landless labourers and poor farmers will depend to a large extent on overall growth of the economy, mainly on the productivity increases in agriculture but also on the expansion of employment opportunities in urban areas.

India's draft five-year plan (1978-79-1982-83) is emphatic on the priority given to anti-poverty policies, measures and programmes. The principal objectives of the plan are to achieved within a period of 10 years: (1) the removal of unemployment and significant under-employment; (2) an approachable rise in the standard of living of the poorest sections of the population; and (3) provision by the government of some of the basic needs of the people in the low income groups.

The draft plan proposes a four-pronged strategy to attain its principal objectives : (1) a rapid expansion of investment, especially in the public sector; (2) an increase in the employment content of production through sectoral planning and the choice of appropriate technologies; (3) the provision of essential infrastructure and social service through a revised minimum needs programme; and (4) comprehensive area development at the block level.

Development Prospects : The circumstances that have brought about the currently favourable economic situation hold the promise of con-

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tinuing into the future given continued policy improvements. The faster growth of the recent past has been made possible by the much-increased inward flow of foreign exchange from increased exports, workers' remittances and external assistance; greatly improved agricultural performance; the impressive saving effort; the liberalisation of import controls; and expanded public expenditure on development programmes, India has a level of resources with which to manage the economy that had never existed before. The comfortable foreign exchange position, the large foodgrain stocks and the absence of strong inflationary pressures have eased the pressures to deal with short-term crises and freed India to plot a mo ambitious course for the ec nomy. The policy improv ments needed to achieve t better performance now pos ble have begun in some impo tant areas but in others ha yet to be initiated.

States' per capita net domestic product

The regional income disparities have been a subject of a good deal of discussion in the recent past. Reproduced below is a table which gives the per capita Net Domestic Product of the different states in the Indian union as it has grown between 1960-61 and 1976-77. The figures for the subsquent years, of course, are not available.

Per Capita Net Domestic Product—States

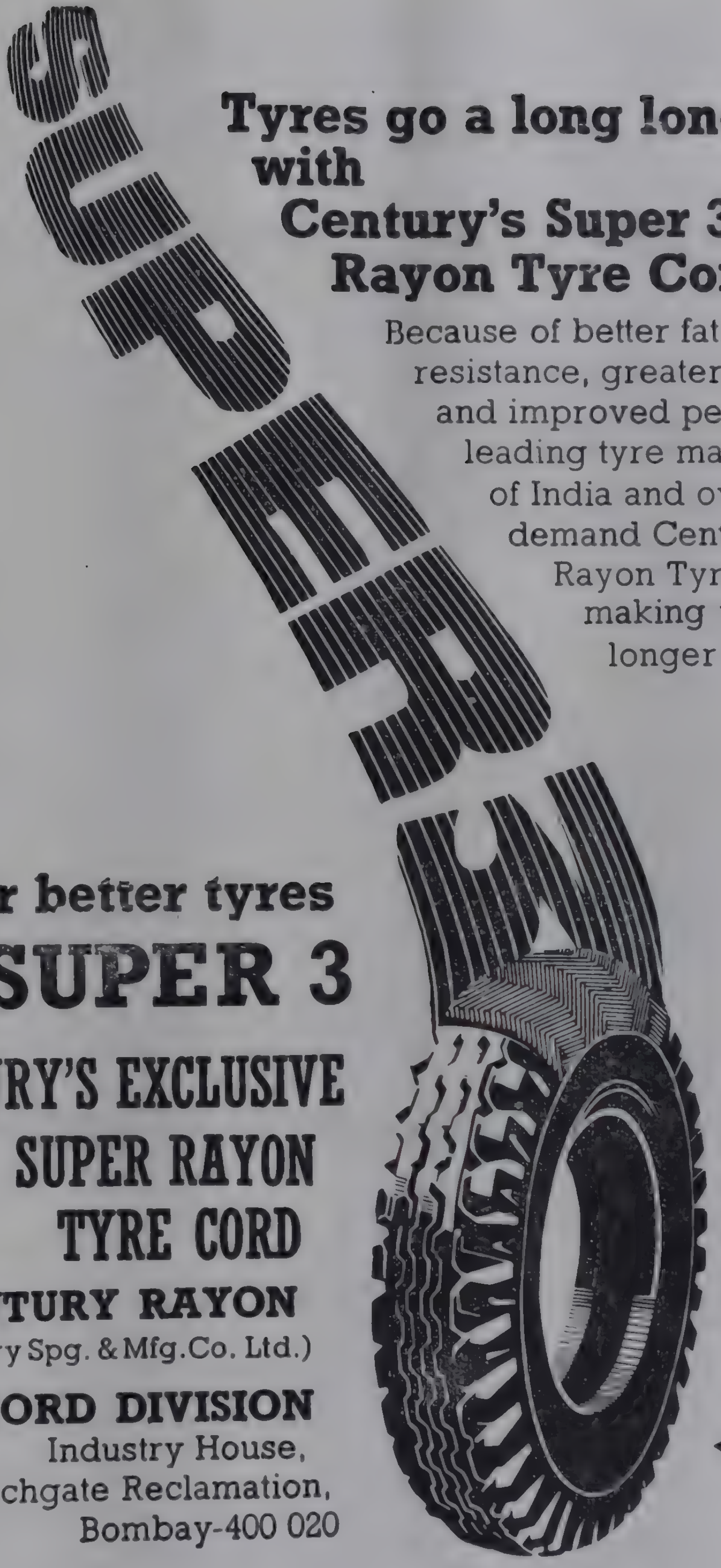
(Rupee

	Base year	At constant prices				
		1960-61	1968-69	1973-74	1975-76	1976-
States						
Andhra Pradesh	1960-61	275	276	328	333	30
Assam	1948-49	251	272	541*	564*	54
Bihar	1960-61	215	205	382*	413*	N
Gujarat	1960-61	362	363	398	413	40
Haryana	1960-61	327	354	425	462	48
Himachal Pradesh	1960-61	NA	331	346	361	35
Jammu & Kashmir	1960-61	269	276	318	329	34
Karnataka	1960-61	296	337	385	399	36
Kerala	1960-61	259	286	301	297	N
Madhya Pradesh	1960-61	260	244	263	275	25
Maharashtra	1960-61	409	423	446	478	N
Manipur	1960-61	154	204	193	202	19
Orissa	1960-61	216	262	490*	523*	N
Punjab	1960-61	366	476	519	551	58
Rajasthan	1960-61	284	249	308	317	31
Tamil Nadu	1960-61	334	329	625*	609*	61
Tripura	1960-61	249	239	298	374	N
Uttar Pradesh	1960-61	252	241	250	270	27
West Bengal	1960-61	390	385	368	384	38
Union Territories						
Delhi	1960-61	668	710	757	799	78
Goa, Daman &Diu	1970-71	NA	NA	1016	1224	124

NA = Not available. *Base year = 1970-71

Note: The data for the remaining states and union territories are not available.

Source: Central Statistical Organisation, New Delh



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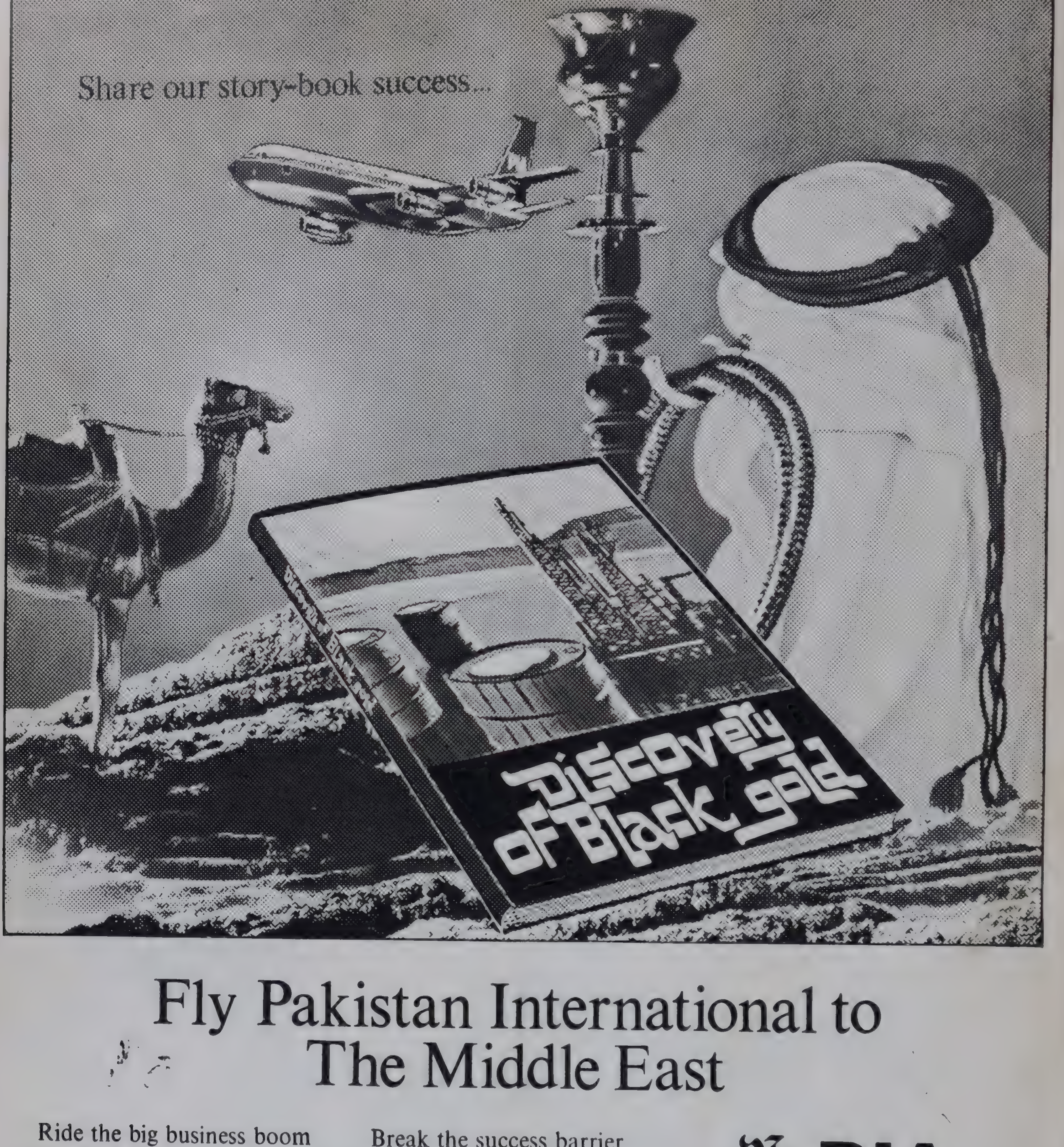

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Rolling George

"Roll on, thou deep and dark blue Ocean—roll!"

Byron sang of the rolling ocean, "dark-heaving—boundless, endless and sublime", as "the image of eternity". But there is nothing grand or awe-inspiring about the way Mr George Fernandes keeps rolling. On the contrary, it is more than slightly suggestive of a not too sober rake's progress. His personal "rolling" plan for holding the price line promises only to add to the gaiety of the nation.

When the people are oppressed by the rising cost of living, there is no doubt both justice and reason in the government calling upon major industries to observe restraint in their pricing policies. In the present, as in the past, responsible sections of the business community have responded to such appeals even if it is only because it may be as much in their own interest to do so as it is in the public interest. Recently, representatives of the cotton textile industry went into a huddle with the minister and officials of the Industry ministry and, as a result, an agreement was reached on rolling back the prices of cotton cloth and yarn of counts up to 59s to the invoice rates prevailing in October, 1978. This agreement also provided for a reduction of five per cent on invoice rates of April, 1979 in the counts from 60s to 89s. The main argument in favour of forcing this retreat in the level of cotton textile prices has been that there has been a decline in raw cotton prices some of the benefit of which must be passed on to the consumers of cotton fabrics. The industry, however, has been contending that a number of other cost factors, equally relevant to the pricing of cotton yarn or cloth, does not really justify this roll-back, but its representatives have had to accept with more or less good grace the government's right to police price increases in the current inflationary context.

The public may note this result with a feeling of satisfaction, while distributing praise among the various parties concerned. But this does not justify Mr Fernandes jumping to the conclusion that the obviously complex problems posed by the current inflationary phase in our economy can be solved by the wholesale adoption in all seriousness of the formula which the legendary King Canute was supposed to have resorted to, with his tongue in his check, for the worthy purpose of exposing the sycophancy of his courtiers. After rolling back cloth prices, he has declared that he will soon be rolling back the prices of paper and tyres and tubes.

While such an approach towards the rising prices of essential commodities may be accepted strictly as a holding action until the government has thought out a comprehensive policy for stabilizing the price level and other features of the economy, it cannot achieve credibility as an alternative to a well-considered attack on the root causes of the threat of stagflation which is once again becoming a grave possibility due mainly to the wrong policies of the government. In a situation of considerable cost-push inflation, with commodity taxation increasingly having a cascading effect on manufacturing and marketing costs at various stages, if the prices of the finished products are rolled back or even frozen simply by government fiat, this would only mean shoring up trouble even for the near future. Such a pricing policy—if it is to be described as a policy at all—will clearly inhibit production and encourage shortages while depriving industrial undertakings of essential financial resources and thus destabilizing their growth prospects.

To make matters worse, although the cotton textile industry has promised to cooperate with the government in operatiug the scheme of roll-back till the beginning of the new cotton season, i.e., September 1, 1979, and, as a result, the prices of the most of the varieties consumed by the masses may be expected to be reduced by from two to 20 per cent, Mr Fernandes has started playing with the idea of imposing drastic production control in addition to the price discipline which the industry has accepted more or less voluntarily. He has worked up women's organisations and associations involved in consumerism with a view to creating a climate for the imposition of a drastic reduction in the varieties of cloth which mills may be permitted to turn out.

misleading generalisation

Some days ago he stated that the textile industry has been asked for its views on the economic feasibility and the socio-economic benefits of standardising cloth production so that manufacturing costs could be cut down and the benefit passed on to consumers in the form of lower prices. The issue is, as he has put it, "to choose whether manufacturing 10 varieties at cheaper prices to the people was healthy to the nation's economy or producing 2,000 varieties at exorbitant rates with very less offtake." He has thus, as is usual with him, attempted to over simplify a complex structure of important details into a few misleading generalisations of a very broad order.

One of the key factors in manufacturing or marketing is the product mix which often spells not only the difference between profit and loss to individual mills but also the difference between a proper coordination of raw material utilisation and deployment of machine capacities and labour skills in individual units with the smooth marketing of finished goods so as to meet the needs of consumers with differing tastes and requirements, at various levels of purchasing power. The initial reaction of the industry has been that production control of the kind contemplated would suffer from all the defects of the ill-starred standard cloth scheme, which had led in the past to widespread sickness in the cotton textile industry, extensive corruption in the official textile administration and proliferating malpractices in the textile trade, without conferring any substantial benefit on low-income consumers of cloth.

In any case, it should at least have struck Mr Fernandes that, by standardising mill output on the basis of a small number of fabrics of mass consumption, he will only be creating more problems for the handloom industry which is already unable to compete with the large-scale sector in spite of government support and subsidies. Incidentally, it is worth noting that, although the decentralised sector is turning out 56 per cent of the total output, or 5,345 million metres out of 9,467 million metres, it has not been able to exercise any disciplinary influence over the textile price level because of its essentially high-cost structure.

There is also the fact that the export production of cotton textiles cannot be so arbitrarily thrust into a straitjacket without the industry running into the danger of losing its markets abroad. If the argument is that more varieties of production could be permitted for the specific needs of the export trade, the objection must be raised that business and governmental corruption will be further encouraged by the scope for spill-overs and seepages from the export trade to the domestic market. Moreover the basic assumption that manufacturing costs could be cut if all mills, irrespective of differences in the specialisation of their plant and equipment or technical skills or in their manufacturing and marketing experiences, were to change over to a narrow range of output needs to be looked into more closely than Mr Fernandes may have cared to.

Scapegoat season?

THE CHAIRMAN of the Railway Board, Mr K.S. Rajan, has been made to pay a heavy price for the recent sharp deterioration in the performance of railways. His removal last week is being construed as a shock treatment for the higher echelons not only of the railways but also of the bureaucratic set-up in general. Mr Rajan had been offered an assignment as officer on special duty in the cabinet secretariat. But he has preferred to proceed on leave for two months. This may perhaps lead to his seeking premature retirement; he has still 10 months' tenure left.

The Member (Traffic) in the Railway Board, Mr J.N. Kohli, too has relinquished his charge. The minister for Railways, Mr Madhu Dandavate, however, has observed that since he was on th verge of retirement, he had asked for fou months' leave which had been granted A direct link between Mr Kohli's exit anc the removal of Mr Rajan, of course cannot be ruled out. As Member (Traffic), Mr Kohli could be held more responsibl —if at all the members of the Railwa Board have to share the responsibility— for the setback to railway operations.

arbitrary action

There are reports that the minister anc the Railway Board chief had not beer seeing eye to eye on quite a few matter concerning their charge. Mr Rajan hac some time ago advocated imports of heavier locomotives, but this was disapproved by the minister. There were alsc differences of opinion between the two or the payment of bonus to railway employees. But differences are bound to occu if the chief of the administration is expected to tender advice to the politician a the helm of affairs at the discussion stage He can be taken to task only if he fail to carry out the decisions of the ministe faithfully. Whatever opinion he migh have held at the discussion stage canno be made an excuse for action against hin if he does not refrain from implementin the decisions once they have been hande down. There is no reason to believe tha the two railway officials, who have nov been "disciplined", have been blameworthy in this respect.

An important question that arises whether it is proper to make officia scapegoats if something goes wrong fo reasons beyond their control. In discussin Mr Rajan's removal, it also has to b appreciated that the operational responsibility has been entrusted progressivel under the Janata government to the zon general managers, the Railway Boar being converted more and more into policy-making, planning and coordination body.

Further, there has been in evidence the recent past a tendency on the part the senior bureaucrats to refrain fro taking controversial decisions lest th should be hauled up later. The genes of this lies not in their incompetence take decisions but in the developmen after the emergency. To some extent, t problem has also arisen because of the tall promises made by the Janata party before it came to power, which it now finds difficult to keep. The pronouncements by some ministers too have queered the pitch. The politicians appear to continue to indulge in populism to maintain their image. Instances are not wanting of different ministers expressing themselves on different wave-lengths.

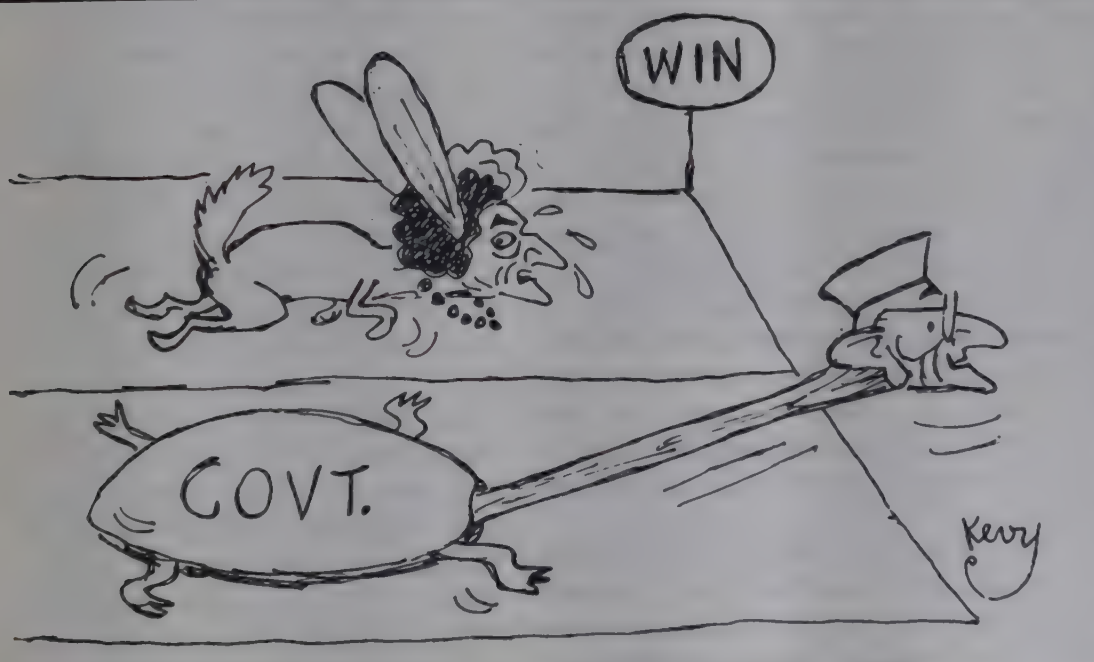
The recent deterioration in the working of the railways, undoubtedly, is a reflection of the general state of affairs in the country, especially at the lower rungs of the administration. The recent agitation of policemen in several states is another clear manifestation of this very fact. The various concessions which have been granted by the central as well as state governments, after resort to go-slow tactics or strikes by the staff, particularly in the public sector undertakings, has created the impression that the government is prepared to yield even though it endeavours to make its caving-in appear as acceding to the genuine grievances of workmen. Except in the case of some benefits granted to the central government employees, government action in respect of the redressal of grievances of employees has also been inordinately delayed. Further, ad hoc decisions on the demands of various sections of society have created not a few distortions. The sharp deterioration on the price front since the presentation of this year's central budget, has also created a good deal of unrest which is being taken advantage of by the organised sectors to put forth exaggerated demands irrespective of the fact that these will only add fuel to the fire and accentuate inflationary pressures, leaving the employees ultimately no better off.

The bureaucrats surely cannot be held solely responsible for the present state of affairs because of their dithering on some occasions. The primary responsibility rests on the ministers who are expected to provide leadership and guidance. It is worth noting here that even though there have been complaints of deterioration in the working of the railways for nearly a year, yet Mr Dandavate has not been sparing himself from showering praises on the railway staff for doing a "magnificent" job.

The rot in the railways has surely not set in only in the past one or two months. A near-breakdown has been developing in the various infrastructural fields. A probe, therefore, is needed to see if there is a grand design behind all this.

It will not be out of place to remind Mr Dandavate that the late Lal Bahadur Shastri tendered his resignation from Railway ministership following a major railway accident at the turn of the sixties. This was on the consideration that the minister is ultimately responsible for his charge. He cannot find excuses in the failures of senior or junior officers.

One of the most important factors which has affected railway operations recently is the government's inability to decide on the payment of bonus to the staff which was promised in the election manifesto of the Janata party. It is not a secret that most of the members of the cabinet do not think the grant of bonus a feasible proposition at the present juncture. But Mr Dandavate and the minister for Industry, Mr George Fernandes, are said to be pressing for this decision in terms of the election manifesto. The frequent postponement of the decision will not serve any purpose. The issue needs to be decided one way or the other expeditiously.



Special courts have been set up to try emergency cases.

Green signal for Vizag steel

AT LONG last, the green signal has been given by the government for the setting up of the first shore-based integrated steelworks at Visakhapatnam in Andhra Pradesh. The seventh such plant to be put up in the country and the sixth in the public sector, it is to have ultimately about 3.2 million tonnes saleable steel manufacturing capacity—equivalent to approximately 3.7 million tonnes ingots, taking into consideration that the project will be adopting the continuous casting system. This capacity is to be built up in two phases. The first phase during which the capacity build-up will be to the extent of 1.2 million tonnes saleable steel, is expected to be commissioned in 48 months from the commencement of work at an estimated cost of Rs 980 crores. The remaining two million tonnes capacity will go on stream two years later. This will cost approximately Rs 1,276 crores, the total cost of the project being around Rs 2,256 crores.

The actual construction work is likely to start by the end of this year by which time the revision of the detailed project report, originally prepared two years ago, will be completed in the light of the suggestions from the Soviet Union which has agreed to make available some credit to finance the Rs. 500.2 crores foreign exchange component of the total Rs 2,256 crores cost. Some Soviet credit is already there to be utilised. The additional requirements are anticipated to be tied up during this month's visit of the prime minister, Mr Morarji Desai, to the Soviet Union. A detailed agreement on the technical and financial parameters of the project is envisaged to be signed during this visit. The Vizag steelworks, it may be mentioned, will be third such plant to be assisted by the Soviet Union, the other two being the Bhilai and the Bokaro projects, which are currently being expanded to four million tonnes ingots capacity each. The expanded capacity of these two plants might be even somewhat more as the technology too is being upgraded in both the cases.

technological innovation

Adopting the latest technology—3,200 cubic metres blast furnaces, seven metres tall coke oven battery and continuous casting—, the Vizag plant will produce wire rods, billets, universal beams and light and medium merchant products. The slag is to be granulated for utilisation for the manufacture of cement. There is, however, no plan as yet to set up a cement manufacturing plant at Vizag. The slag may be utilised elsewhere. No flat products are included in the product pattern of the scheme as it is felt that their requirements will be more or less fully met by the other steelworks till at least the mid-eighties. The shortages will be there only in the above categories.

It is heartening to note that care has been taken to include three 30 MW captive power units in the project report itself to obviate shortages of this essential input. Another significant fact to be noted is that at least 20 per cent of the coking coal requirements of the plant are to be met by imports. The ministry of Energy, which had been objecting to coking coal imports till lately, despite the provision in the current Plan draft document that about a million tonnes imports of this type of coal per annum should be effected by 1982-83 to be raised to three million tonnes a year by 1987-88, has concurred with the ministry of Steel on the coal imports for the Vizag unit. Blending of the imported coal with the indigenous washed coal, it is felt, will reduce the ash content in the blended coal to about 17 per cent which will help in bringing down the coke rate materially. The imports of 239,000 tonnes of coking coal, last year are claimed to have had a very salutary effect in the coke rate at Bhilai where this coal has been used on a trial basis.

The iron ore requirements of the project are to be met from the Bailadila mines of the National Mineral Development Corporation, those of blast furnace dolomite from the captive mines in the Bastar area in Madhya Pradesh, of the steel melting grade dolomite from the captive mines of Khamam, in Andhra Pradesh, of indigenous coal from east India, and of power and water from Andhra Pradesh.

The equipment import programme is to be finalised in about 12 months, taking into consideration the maximum supplies that can be expected from the indigenous sources—of course, in accordance with the required specifications and delivery schedules. Pig iron is expected to be yielded by the project by the end of 1983 and finished steel in 1984. These targets are to be strictly adhered to so that the imbalances between demand and supplies from indigenous sources can be contained and imports brought gown to the minimum. This year the imports of steel are expected to be around 1.74 million tonnes costing nearly Rs 550 crores.

fall-out effect

As a result of the Vizag project's orders, the Heavy Engineering Complex at Ranchi, the Mining and Allied Machinery Project at Durgapur and the various units of Bharat Heavy Electricals, it is claimed, will have enough work. The financial commitment for the project is not expected to pose much problem. The Soviet credit, it is felt, will, by and large, help in meeting the import content. The indigenous resources are being generated through the development surcharge that has been levied on all categories of steel recently. It is likely to yield Rs 800 crores over a period of four years during which the first stage is to be commissioned.

The establishment of this first integrated steelworks south of the Vindhyas, along with the Salem special steels plant currently being set up in Tamil Nadu, should impart a new dimension to th economic development of the souther states, for the scheme will make th distribution of steel products muc easier in the southern region. Three mor sites are being considered for puttin up further integrated steelworks. These ar Mangalore, Paradip and Haldia. Th decision on the eighth integrated ste plant may follow in the near future a the ministry of Steel thinks that th growth in the demand for steel in the nex six or seven years may be around 15 pe cent, as against 8.7 per cent indicate by the Planning Commission's task forc on the subject. The demand has grow by 15 per cent in the last two years. Th sponge iron concept is likely to be considered for this plant if it is to be locate in Karnataka.

Towards the 500 MW era

THE CENTRAL cabinet's approval last wee of two expansion programmes of Bhara Heavy Electricals Limited (BHEL) ma appear to have been accorded at an od juncture as the cabinet sub-committee o the advisability of the proposed BHEI Siemens collaboration being accepted ha yet to take the final view on the matte But this impression is unwarranted because the technical arrangements in respect of the two programmes had alread been finalised with the concurrence of th ministry of Industry—one last year an the other earlier. These two arrangemen do not form the subject of review by th cabinet sub-committee. What the cabin sub-committee is going into is whether o not BHEL should be allowed to enter int an umbrella type collaboration arrang ment with Siemens for the manufacture o power generation sets from 210 MW t 1,000 MW capacity and various oth equipments, thus tying itself primarily t the research and development progran mes of Siemens. Indications are that th cabinet sub-committee will decide on th matter in the near future in the light o the report of the secretaries' commi tee which has been submitted recentl

This committee is understood to have opposed the umbrella type collaboration and has favoured item-by-item tieups with the best manufacturing concerns abroad.

Under one expansion programme approved last week, the Hardwar unit of BHEL will be expanded at an estimated cost of Rs 43.08 crores to undertake the manufacture of 500 MW generation sets, besides the 210 MW sets being produced by it at present. This programme will expand the capacity of the Hardwar plant to a level which will yield annually four 500 MW sets in addition to the six 210 MW sets (present capacity).

import programme

The first 500 MW generator is expected to be ready in 1980-81 largely through the assembly of components received from the technical collaborators, Krafts Works Union (KWU), a subsidiary of Siemens of the Federal Republic of Germany. The agreement with KWU for this purpose was signed last year. The subsequent three sets are to be produced from the raw materials stage. Some basic raw materials, of course, will be imported.

The second expansion programme concerns the Tiruchirapalli plant of BHEL which manufactures boilers. Estimated to cost Rs 29.83 crores, this programme not only envisages expansion of the general production facilities at Tiruchirapalli but also undertaking of the production of 500 MW boilers. The manufacture of one such boiler for the Trombay thermal power station has already been taken up in view of the contract won by BHEL last year in the face of global competition.

The manufacture of 500 MW boilers at Tiruchirapalli has been undertaken with collaboration from Combustion Engineering Inc., USA. The basic engineering of this higher capacity boiler is claimed to have already been completed by the engineering division of BHEL in collaboration with the US firm. The detailed engineering activities are under progress. The design developed is for a boiler to be fired by coal, oil or natural gas which can deliver super-heated steam of 1672 tonnes/hour at 178 kg/cm^2g pressure and 541°C temperature. Arrangements will also be there for the re-heating of steam at the rated temperature of 541°C. The boiler will weigh about 17,000 tonnes and will have a height of approximately 88 metres.

The sanctioning of the two expansion programmes formally heralds the entry of BHEL into the 500 MW era which could not be delayed if the future power requirements of the country are to be catered for primarily from indigenous sources. The annual expansion in the power generation capacity in the country has to be at a much more rapid pace than has been the case till now as in terms of the proposed addition of about 18,500 MW during the five years to 1982-83, the addition to capacity last year has been around 3,000 MW only, including the first-time rolled-in capacity. This compares with 2,000 MW or less additions in the previous year.

The rate of growth will have to be accelerated further during the five years to 1987-88. On present indications, the expansion required during these five years will be between 20,000 MW and 25,000 MW. Such a rapid build-up of capacity would be possible only if we go in for higher capacity generation sets. Even 500 MW units may not suffice in the next ten years. In line with the trends abroad, the manufacture of 1,000 MW units may have to be undertaken.

This necessitates an early decision on BHEL's collaboration with Siemens or some other manufacturer so that BHEL can prepare itself for the tasks ahead.

Trading with Philippines

THE FORMAL signing of their first-ever trade agreement by the Philippines and India in Manila last week is an indication of the recognition by them that the two can derive a good deal of mutual benefit from closer trade and economic relations. A strong plea was made recently for such collaboration with the ASEAN in general of which the Philippines is a key member—its other members being Malaysia, Thailand, Indonesia and Singapore—by the Jasdanwalla delegation of the Associated Chambers of Commerce and Industry, which visited this region and Hong Kong towards the close of 1978, and earlier by

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other trade and industry interests, including the Federation of Indian Chambers of Commerce and Industry. The plea was made in appreciation of the fact that the ASEAN has developed as an important economic entity and has started playing a significant role in the Asian economy.

Although economic cooperation between India and some members of the ASEAN, particularly Malaysia, Indonesia and Thailand, has grown substantially in the recent past, it has left much to be desired in so far as the Philippines is concerned. There has been a general complaint that no serious efforts had been made to foster relations with that country. Whatever growth has taken place in our trade with it, it has resulted from sporadic endeavours. Partly this can be attributed to the Philippines, by and large, depending till lately on the developed countries in general and the United States and Japan in particular for meeting its technology and other economic needs.

general agreement

The trade pact that was signed last week, of course, is in general terms. It has neither set any targets for the two-way trade nor listed any specific commodities which are to be exchanged. It accords the most favoured nation treatment to each other in accordance with the provisions of the GATT and covers customs duties and charges of any kind, including the method of levying such duties and charges on or in connection with importation or exportation or on the transfer of payments for imports and exports. It also covers rules and formalities connected with customs clearance and all internal taxes or other internal charges of any kind imposed on or in connection with imports and exports and the issuance of import and export licences. The merchant cargo-bearing vessels of either country too are to be provided the most favoured nation treatment in respect of entry into, stay in and departure from ports. All current payments between the two nations are to be made in freely convertible currencies, subject to the foreign exchange regulations and other levies effective in either country.

Further, the two countries have agreed to encourage and facilitate exchange of visits of commercial and technical representative groups and delegations and to participate in trade fairs and exhibitions held by them. It has also been decided that a joint trade committee, consisting of the representatives of the two nations, should be set up to review periodically the implementation of the provisions of the agreement. The committee, which will meet alternately in the Philippines and India, will examine measures for resolving the problems that may arise in the implementation of the agreement and consider proposals for further expansion and and diversification of trade.

The aim obviously is not only to reduce the adverse balance of the Philippines in its trade with us but also to considerably expand and diversify this trade. During the five years to 1976, Indo-Philippines trade registered some uptrend, but our exports to the Philippines during this period accounted for nearly 73.92 per cent of the total trade and the exports of the Philippines for the balance 26.08 per cent. The setback to the exports of the Philippines in 1977 brought down its share in the trade with us considerably, primarily owing to the disappearance of exports of copper concentrates which had given good impetus to its overall shipments to us. Exports of steel from here in that year, on the other hand, turned the trade balance overwhelmingly in our favour. Of the US $20.123 million aggregate trade in 1977 up to September, which was not only the highest in any single year covering the same period but also higher than the totals obtained in the years 1972 to 1974 combined, the exports of the Philippines comprised a mere six per cent (US $1.293 million) and India's exports 94 per cent (US $18.830 million).

Although five joint ventures assisted by Indian concerns—Kirloskar Oil Engines Poona; Eastern Spinning Mills, 24-Parga nas; Tungabhadra Industries, Bombay and Century Spinning and Manufactur ing Company, Bombay—are successfull operating in the Philippines in such field as manufacture of diesel engines an yarn, copra crushing and oil extractio and a fifth one is being established wit assistance from Chemical Constructio Company, New Delhi, for direct coconu processing, it is, indeed, regretable tha there is still a good deal of communic ation gap to be filled in about ou capabilities of not only assisting th Philippines in the setting up of industria ventures but also other developing cour tries. This gap needs to be filled u expeditiously. It is encouraging to no that in an effort towards this end, w are holding an exclusive exhibition of o capabilities in Manila next year.

Another factor that should give som impetus to cooperation between the tw countries in the industrial field is th growing recognition in the Philippin that in the light of the development pr gramme, it has drawn up for the five yea to 1982, it will need more and more inte mediate technology, instead of the high sophisticated technology that is availab in Japan and the United States. Th Philippines president has shown kee interest in going ahead with small-sca and agro-based industries with India

Eastern Economist 30 Years Ago

JUNE 10, 1949

The stark truth about our balance of payments problem is now clear enough so that he who runs may read. It is that India, after partition, has run into a chronic unbalance in her external accounts. The deficit in the balance of payments is not, as is so often believed, entirely the result of transient adverse circumstances such as large food imports. These only affect its magnitude. Its proportions at any particular moment may be larger or smaller; price trends within the country and abroad, the vagaries of agricultural production and the fluctuations of industrial and other activity, and the general state of demand in the national and world markets may, over any particular period, influence its size in the same or several ways; and the pruning knife of import restrictions or the manifestations of an export drive can certainly be used with skill a vigour to control its more disturbing manifes tions. But there will still be a hard core unbalance which it is necessary squarely to fa The Commerce Minister's able defence of Ministry; efforts, which he advanced in the t speeches he made to the Export and Imp Advisory Councils last week, was, therefore, the main, a sound and successful piece of ad cacy and, in mere fairness to Government must be frankly recognised that the balance payments problem is not entirely of its maki But good advocacy does not necessarily m good policy and we have yet no concrete evide that with the measures now instituted, the will ever be bridged.

assistance. It is for our entrepreneurs to avail of the opportunities that might be offered. The Assocham delegation has identified specifically several areas in which considerable scope exists for establishing joint ventures in the Philippines.

The future growth of economic cooperation between the Philippines and India, of course, will depend a great deal on how the communication gap about each other's capabilities is bridged and on strengthening the shipping facilities between them. Apart from the infrequency of services, the cost of shipping is considerable because of transhipment of goods through Hong Kong. This problem needs to be attended to in right earnest.

Suing the centre

ON MAY 11, West Bengal's Finance minister, Dr Ashok Mitra, disclosed that the state government was considering filing a suit in the Supreme Court against the central government, seeking to revise its criteria for the division of resources under the three major heads, namely, surcharge on income-tax, additional excise duties on sugar, textiles and tobacco and the sum to be paid in lieu of a state levy on railway passengers. Dr Mitra said that in 1970 it had been agreed that the states would get 10.8 per cent of the realisation from the three heads whereas the actual allocation had not been more than 6.5 per cent. These points were discussed at the chief ministers' conference held in New Delhi recently, at which the centre's decision was clarified by the prime minister. However, West Bengal has not been convinced. Mr Jyoti Basu has reiterated the state government's determination to refer the issue to the Supreme Court. He has said that the prime minister has not viewed the state government's arguments objectively and that there has been a tendency to view all such proposals in a "personal manner", probably due to the fact that Mr Desai was formerly the Finance minister. The chief minister has asserted that, despite the clarification by New Delhi on these matters, the debate would continue. Dr Ashok Mitra has expressed the view that unless the basis for the division of resources under these heads is reconsidered, there is every possibility of the total transfer of resources being reduced drastically during the period 1979 to 1984.

the confrontation

West Bengal has a case in urging for reconsideration of these issues. But is it right for the state government to take up this matter to the Supreme Court and thus precipitate a confrontation with the centre?

In the meanwhile, the economy of West Bengal continues to be paralysed by the acute power crisis. This has been persisting for the past several months, but has the Finance ministry of the state government made any assessment regarding the loss of revenue arising from the fall in industrial production and the setback to all kinds of productive activity? On May 17, the president of the Indian Chamber of Commerce, Mr B.H. Singhania, said that "the sudden and complete shut-down of all units at Bandel and Santaldih power stations on May 16 was something unheard or before". He remarked that the situation was not only "baffling" but had become "unbearable". He regretted that the power situation was sliding towards zero. Mr Singhania added: "Industry has reached the lowest ebb in production and the frustration among people as a whole has no bounds. All hopes of some order in power supply as a result of the rationing scheme and complete closure of industrial units between 6 and 10 p.m. have now been completely belied. The situation has, in fact, become far worse and intermittent closure of factories, totalling up to 10 to 16 hours, on an average, is doing untold damage to plant, machinery and expensive raw materials, apart from the huge losses in production and tax revenues".

The labour situation in West Bengal also continues to be disturbing. Last year, West Bengal lost in strike and lock-outs about 9.57 million mandays (out of a national total of 21 million). This also must have severely affected production and revenue. West Bengal has the largest number of sick units. As on June 1978, the number of large sick units in West Bengal was 78 compared to 71 in December 1977 and 58 in December 1976. In the small-scale sector, the number of such units has been much larger. Industrial sickness in the current year has been further aggravated because of the power shortage, diversion of orders and other factors. In the circumstances, should not the government of West Bengal and the Finance department, in particular, concentrate more attention on improving the economic situation so that all productive activity will get an impetus which will ultimately benefit the state's exchequer as well?

Faith cure for lawlessness

WHEN JANATA party members of West Bengal complained to the prime minister, Mr Desai, during his recent visit to the state about the misrule of the Left Front government, he advised them to tackle the problem politically. He clarified that India being a democratic country, the central government could not interfere so long as the state government did not violate the provisions of the constitution. He said that he had passed on to the chief minister, Mr Jyoti Basu, for necessary action all the memoranda submitted by the Janata party members regarding the deterioration in the law and order situation in the state. When reporters asked Mr Desai whether this procedure would help to improve the situation, he remarked : "If you really think some wrong is being perpetrated, you should know that nothing that is wrong can last long. No dictator has lived for ever. This is a land of faith."

The prime minister, of course, was right in saying that New Delhi could not interfere with West Bengal's administration so long as the latter did not defy the constitution. But the manner in which Mr Desai explained his point of view seemed to create the impression that the state government had nothing to fear from the centre unless it clearly and deliberately acted in violation of the constitution. The Janata party members did not suggest that the centre should immediately intervene by imposing president's rule or by resorting to other drastic methods. Their main point was that under the Left Front rule, lawlessness was on the increase especially in the rural areas, that the government was flouting the orders of the Calcutta high court and that the opposition parties were being ignored and treated with indifference. They wanted the prime minister to take note of these developments so that the centre could maintain a vigilant watch over the situation in West Bengal and see to it that it did not deteriorate to such an extent as to result in a break-down of law and order. But Mr Desai's speeches seemed to indicate that he had not correctly appreciated the nature of the developments going on in West Bengal.

cause for concern

Mr Jyoti Basu had himself told Mr Desai that in the last two years 65 CPI(M) workers and 12 of other parties had been killed in violent activities. Should not incidents of this kind cause concern to the centre ? Besides, there had been numerous instances where, though no death has taken place, the law has been violated and citizens have been deprived of their rights. In industrial establishments, indiscipline in various forms has become more rampant and the management is finding it difficult to control labour. Gheraos are being resorted to more frequently than before. In Calcutta the prolonged power cuts seem to have encouraged anti-social elements to intensify their activities.

Mr Desai should have pointed out to the government of West Bengal that, while New Delhi has no intention of embarrassing it in any manner, at the same time it could not look on helplessly when the state's economy has been paralysed by the power crisis with its inevitable impact on industrial relations and the law and order situation. Faith may move mountains, but governments should still govern. Even Mr Desai's naturopathy is not wholly faith-healing; for instance, there is the question of what you eat or drink or do not drink. The prime minister should realise that if West Bengal's economy does not improve soon it is bound to aggravate the acute problem of unemployment and create more lawlessness. All this will shake the people's faith not merely in the state government but also in the central government and, indeed, in democracy itself.

A more mobile south ?

The interruptions to rail communications through the coastal route in Andhra Pradesh for nearly three weeks, the large-scale cancellation of passenger train services in the southern region and the absence of scope for re-routing effectively passenger and freight traffic between different parts of the country during periods of emergency have brought to the fore the importance of integrated regional planning of railway development. It is true that the passenger and freight traffic is being diverted through the Madras-Bombay route to Hyderabad, but the density of traffic on the Madras-Bombay route is so heavy that the traffic diverted from a heavily congested route like the Madras-Vijayawada, cannot be handled even to the extent of 25 per cent. The troubles encountered now and in 1957 in the Gudur area, and emphasise the need for an alternate railway link between Vijayawada and Arakonam, a little to the interior from the coastal track. It should be possible to devise a new railway line earlier than the links provided by Wadi and Guntakkal with other points in Andhra Pradesh. Andhra Pradesh has naturally been complaining that new railway lines have not been imaginatively constructed in the recent decades and vast areas still remain unconnected with the result that their development is retarded.

In the case of Tamil Nadu and Karnataka also no serious attention has been paid to the representations by industry and trade to the Railway Board for the construction of a broadgauge line from Karur to Madurai and then to Tuticorin. Even the broadgauge link between Tuticorin and Tirunelveli after the latter has been linked with Nagercoil by broadgauge, will be only in the form of a reticulated track and no direct link between Tuticorin and the line connectin Nagercoil and Tirunelveli.

Only the conversion of the metregaug system between Ernakulam and Quilon i Kerala was decided upon speedily an the direct broadgauge system upt Trivandrum has proved to be highl beneficial. The new route betwee Trivandrum and Tirunelveli may have catalytic effect on regional developmen besides facilitating speedy movemer from the southern tip to the norther most point. It is important, however, t formulate programmes for speedy an extensive electrification of the broa gauge and metregauge systems of th southern railway. The nucleus provide by Madras-Trivellore suburban electrif cation system should be used fo extending electrification up to Trivandru and Bangalore. The capital cost shoul not be a forbidding factor as has been conclusively proved th electrification is self-financing in six t ten years depending upon the density traffic on the concerned route. What more important is the scope for reductio in coal traffic and the insurance again interruptions to operations due t inadequate coal supplies.

There will also have to be larger e penditure on conversion of metregaug rail lines into broadgauge. The commenc ment of work on the 138 km stretc between Bangalore and Mysore for co version from metregauge into broa gauge should be welcomed. But it unthinkable as to why the Bangalor Miraj metregauge link has not yet bee converted into broadgauge. The effe tive interlinking of different route intelligent conversion of vital metregau sections into broadgauge and massi electrification works have to be taken u on emergency basis. With erratic co supplies and rising cost of dieselisatio it is high time that the southern region difficulties were recognised and the apath now in evidence disappeared.

The planners should think on bold lin as there is no room for pettiness. An add tional outlay of Rs 500 crores in the ne five years can bring about a metamorph change in the economy of the southe region, besides improving vastly t efficiency of operation of the railwa and their economics

Manila : morning after

It is probably true even now that a good many people in the west will be as miserable without the whiteman's burden as they have been with it. However, it is not necessary to recall the sneer of that very superior oracle *The Economist* (London) at the moment when UNCTAD-V was born to recognize how emphatically the Manila meet has confirmed that cynicism is the better part of realism in international relations, economic or political, for the simple reason that in this area of human affairs more than anywhere else idealism can be easily strained. There has been always a fictional quality about the North-South dialogue which has been due as much to the "have-nots" not knowing when to ask for what, or how, as to the "haves" desiring to hold on to what they have and some more. This has been made quite explicit at UNCTAD-V. Indeed, by refusing to recognize the relevance of the "oil" issue to the attitudes that industrial countries would adopt towards the possibilities of any significant transfer of resources from them to the poorer economies of the world, the developing nations succeeded in seeing to it that the only positive result from the conference would be an agreement to disagree.

All the same, Manila need not be written off as a total loss, most of the headlines in the Indian press notwithstanding. As *The Times of India*, which has invested some of its cash in UNCTAD-V, by deputing one of its New Delhi-based special correspondents to do a bit of on-the-spot reporting, has informed us, UNCTAD-V after all managed to save itself by adopting a unanimous motion on protectionism. It should not be difficult of course to agree that the passage of this resolution without any dissenting voice has saved "the conference from total failure".

The resolution urges the developing countries to adhere strictly to the standstill provisions they have accepted concerning imports from the Third World and calls on them to move towards the reduction and elimination of both quantitative restrictions and other measures having similar effects. This resolution no doubt establishes the validity of the pleas made by the GATT, OECD and World Bank chiefs to the developing countries that they should participate in and cooperate with the agreements reached through the Tokyo Round of trade talks and then move forward to negotiate with industrial countries on disputes relating to the latter's insistence on safegaurds against "disruptive imports". At the same time it does impose on the industrial countries more than a moral obligation to review their patterns of production and trade with a view to opening up new export opportunities to developing economies. It is however doubtful that UNCTAD itself could serve the developing countries as an effective instrument securing a fairer deal for their exports to industrial countries where commodities which the latter have chosen to classify as "sensitive" are concerned. Quite possibly, bilateral trade negotiations will have to play a substantial role, although in some cases group approaches could be useful. What all this boils down to is that, even if the trade ball may now be in the court of the developing countries, the industrial nations have at least bound themselves to play ball.

The affluent countries have been often accused of playing politics with their development aid programmes. Politics is usually dirty; occasionally, however, it could be clean. If there is politics in the argument of the affluent countries that the need of the least developed countries should have priority in international development assistance, it is politics of a kind which developing countries are in no position to decry. From this point of view, the new programme of aid proposed for the benefit primarily of the least developed countries may be accepted as a desirable outcome of the Manila conference. During the first phase of the programme which will cover the period 1979-81, aid to these countries will be boosted through increased investments, particularly in social priority sectors. Over the next phase, which is expected to last through the 1980s, this programme will aim at transforming the economies of these least developed countries through structural, social and economic changes.

Details of this programme are to be worked out for adoption by a special conference which the United Nations General Assembly is to be asked to convene at the appropriate stage. While it is good that the least developed countries are to get a larger share of the cake, there are no prospects, apparently, of the cake itself becoming any bigger in size. On the contrary, the plain speaking done by the US delegation has made it clear that the larger industrial economies are quite allergic to generosity in the matter of official aid, especially through multilateral agencies. Incidentally it is in this area of North-South dialogue that the "oil" issue has been a particularly intrusive factor.

It is however just possible that Manila discussions have improved the atmosphare in favour of trends in the aid-giving countries to liberalize terms of development assistance progressively. It is perhaps in terms of this possibility that a final judgement should be passed on the failure of UNCTAD-V to adopt definitive resolutions on such aid issues as the debt problem. The aid-giving countries probably want to reserve to themselves a high degree of freedom and flexibility in working out schemes of aid structuring or restructuring, many of them through bilateral agreements.

On the commodity theme, UNCTAD-V, as could have been expected, spoke with many voices, but it should be added in fairness that the result, neverthless, was not exactly a Tower of Babel. At least the "first window" of the common fund is to be given a trial, while the "second window", though not thrown wide open, has at least not been barred and bolted. Mr Mohan Dharia's "come hither" gesture of $ 5 million to the operations of the "second window" may yet be cashed on.

Aid, Danish style

DENMARK'S NET official development assistance (ODA) disbursements increased in 1977 by 19 per cent (in national currency) to $258 million, following an increase of 10 per cent in the preceding year. As a percentage of Gross National Product (GNP), they rose to 0.60 per cent as against a DAC average of 0.31 per cent. Total net official and private flows to the developing countries exceeded one per cent of GNP.

Denmark is one of the few DAC members which, in spite of persistent economic and budgetary difficulties, has achieved a practically uninterrupted growth in ODA appropriations and disbursements not only in absolute terms but also as a percentage of GNP. Denmark expects to reach the 0.7 per cent target in 1979 and that a level of 0.79 per cent is to be achieved in 1982. This good volume record achieved by Denmark is closely linked to the large parliamentary and government support for development assistance. The budgetary planning system, as adopted by Denmark, moreover, is an important device to protect the aid budget from restrictive overall budgetary measures, since annual aid appropriations are determined in accordance with a rolling five-year plan which sets ODA/GNP percentage targets for each year of the plan.

attractive features

Among the attractive features of Danish aid policy are the highly concessional financial terms of assistance, the concentration of bilateral ODA on low-income countries, the emphasis given to employment creation, integrated rural development and health. The Danish development loans however, continue to be largely tied to deliveries from Denmark. The Danish authorities do not consider it feasible, under the prevailing economic situation, to untie their loans further in favour of procurement in developing countries.

Danish official development assistance (ODA), which is financed in its totality from the central budget is based on a rolling five-year plan setting yearly targets in percentage of GNP for aid appropriations. These are adjusted every year through supplementary appropriations to bring the total up to the planned ODA/GNP ratio for a given year, a planning device which is unique among DAC members. Budgetary aid appropriations usually correspond closely to actual disbursements

Composition of ODA : Danish policy is to allocate approximately equal shares to multilateral and bilateral programmes. Bilateral programmes consist of about half of grants (essentially project aid) and half of loans (programme assistance fo the procurement of goods and services i Denmark). Denmark is one of the larges contributors to multilateral agencies i relation to GNP : 0.26 per cent in 1977 (DAC average : 0.09 per cent). The largest single contribution is provided to UNDP ($43 million in 1977) which makes Denmark the most important per capita contributor to that agency and the fourth largest in absolute terms.

Danish Medium Term Assistance Plan, 1978-82

Fiscal Years	Appropriation Target (% of GNP)	$million (1977 prices and exchange rate)	Real Growth Rate %
1978	0.67	297	
1979	0.70	320	7.8
1980	3.73	345	7.8
1981	0.76	372	7.8
1982	0.79	401	7.8

Financial Terms of ODA : The financial terms of Danish ODA are highly concessional, reflecting a high share of grants and loan terms which are among the softest of DAC members (i.e. free of interest, with maturities differentiated according to the degree of poverty of the recipient).

Geographic Distribution of ODA : The income level of recipients is the major criterion for the geographic allocation of Danish bilateral aid. In 1977, about 77 per cent of total bilateral net ODA disbursements were allocated to low income countries (below $400 per capita GNP),

Distribution of Danish Bilateral ODA Net Disbursements by Major Recipients, 1977

(million US $)

Europe	**1.81**	**America**	**5.08**
Turkey	1.79	Bolivia	4.67
Africa	**84.43**	**Asia**	**41.89**
Tanzania	35.01	India	13.99
Kenya	12.11	Vietnam	11.98
Mozambique	8.57	Bangladesh	9.60
		Total	**147.10**

as compared with a DAC average of 43 per cent. Grant project assistance to the four main partner countries (Bangladesh, India, Kenya and Tanzania) is based on pluri-annual cooperation plans which include indicative figures for a four-year period ahead.

Energy : the day of reckoning

THE MEETING of the governing board of the International Energy Agency (IEA) of the Organisation of Economic Cooperation and Development (OECD) held at ministerial level in Paris on May 21 is likely to become a landmark in the economic history of the development world and by implication of the developing countries. IEA's membership of 20 including the USA, Japan and West Germany, consume over 75 per cent of world's exports of oil. Their economies and way of living are so dependent on energy from oil that they now face the prospect of another wave of recession through deflation by sharply cutting domestic consumption or through inflation by competing with each other to grab their required supplies and thereby further accelerate the present momentum of oil price increases. The significance of the IEA meeting was that it officially recognised that the era of cheap energy on which the developed countries have built their prosperity and industries has ended. Indeed, the meeting produced the most sombre projections ever made by the developed nations.

The US Energy secretary James Schlesinger blamed his own people for the crisis when he said that the energy problem "is not self-evident to the people of my country who think that the Declaration of Independence entitles them to consume 60 per cent of the world's gasoline". He went further and declared that the Iranian Revolution had brought forward "the day of Reckoning". This doomwatch prediction was echoed in different ways by the Energy Commissioner of the EEC, by the Energy minister of new Conservative government of Britain which among the developed nations has in the short term at least adequate domestic supplies from the North Sea for self-sufficiency, by the Secretary General of the OECD Emil van Lennep and by the near panic which seemed to have seized the entire developed world.

In Britain, the price of a gallon petrol rose within two weeks to a pound and at the time of writing was still rising. In most of the other west European countries it is about 25 per cent higher. The unending car queues in petrol stations in Europe and USA, and urgent appeals by governments to use the car as little as possible are indications that the energy problem is at last getting through. The closing by law of petrol depots on certain days of the week and other measures in offices and factories to conserve consumption is another indication. Rationing has been introduced or being seriously considered by most countries. California has adopted the car number plate system of rationing under which sales of petrol are restricted to odd and even numbers on different days. The Irish system works through cash limits on sales. On the continent closure of petrol stations on Sundays and other public holidays, limitation on speed or a cash ceiling of all imports are among the methods.

sustained effort needed

But the question is whether this short-term reaction will grow into a serious, sustained effort to overcome the crisis. To succeed, the developed nations and their populations must be willing to readjust their way of life and curb their extravagant and wasteful consumption. It calls for far-reaching changes in their industrial activity, social habits and even housing needs.

The difference between the present crisis and the one that the Arab-Israeli war started in 1974 is that the latter occurred at a time when available supplies were adequate, through at sharply increased prices while today the prospect for both short and long-term is what the IEA calls "a situation of overall supply stringency". The developed world in general had been able to absorb the earlier price increases in various ways by the rapid growth of their exports of goods and technical skills to the oil rich countries and by a degree of conservation. Just before the Iranian Revolution and the shut down of Iranian oil production, there had been a glut of oil which produced a false sense of security and slowed down the switch over to alternative sources of energy, such as coal and nuclear power. The most damaging of its consequences was the failure of president Carter to persuade his people and the American Congress to cut down the level of oil consumption that required rocketting imports to sustain. A bitterly cold winter and the loss of Iranian production for several months cut down the stocks in the developed world. There is a mandatory minimum of the equivalent 70 days' consumption to be in storage which oil companies have been unable to maintain. To rebuild stocks would require three million barrels a day (MBD) above consumption.

On the supply front, Iran which used to export 5½ MBD is now restricting or able to allocate only 3 MBD. Saudi Arabia had raised production to 10 MBD to make good Iranian shortfall but is now insisting on keeping production to 8½ MBD. The price mechanism kept stable by the OPEC has broken down and the 16.5 per cent increase in stages for 1979 agreed by OPEC members no longer applies. Leading OPEC producers have raised prices by between 30 and 50 per cent and are set to go on increasing further taking advantage of the world shortage. Algeria has raised prices by 50 per cent. At Rotterdam, the oil market of Europe, crude has jumped to 33 dollars a barrel.

gloomy prospects

These are the developments which produced the gloomy communique at the IEA meeting. On the energy prospects the communique says: "The energy supply and demand problems are serious and likely to continue. .. Following events in Iran, market developments (particularly supply limitations and price increases) have caused current difficulties and cast further doubt upon medium and long term prospects. This situation could produce major economic constraints for industrialised and developing countries in the next few years. The world energy supply situation will be tight for the forseeable future. In particular, the oil supply system will have reduced flexibility and will be vulnerable to further disruptions. Ministers (of the IEA member states) stressed the need for greater international cooperation in resolving world energy supply problems and the need for equitable distribution of available oil".

"As to the short term, ministers concluded that the international oil market has evolved rapidly into a situation of overall supply stringency, which has affected different countries in different ways and this situation is likely to continue into 1980. They expressed particular concern about the large and the rapid increase in crude oil and product prices."

What this assessment means to the industrialised west is more inflation, a probable cut back in growth, more unemployment and an about turn in balance of payments. The OPEC surplus had virtually disappeared during the second half of 1978 and the OECD countries had earned a surplus of 5½ billion dollars. The American Secretary of the Treasury, Mr Blumenthal, has estimated that the OPEC surplus would rise to between 25 and 30 billion dollars while the industrialised countries would have over 10 billion dollar deficit in the balance of payments this year. The implication of financial difficulties and demand cut down will certainly affect the trade and development aid to developing countries.

reducing demand

The IEA's main proposal to contain the crisis is to reduce immediately the demand for oil on the world market by two MBD which corresponds to about five per cent of IEA consumption. This is to be achieved by pricing policies (i.e. raising the prices to reduce demand) mandatory action by governments and restriction on oil consumption in summer, the holiday season for the developed north. An attempt will also be made simultaneously to rebuild depleted stocks.

In the long term IEA "objective" is to limit imports to 26 MBD by 1985 even though if fears that achievement of the objective "might result principally from a lower level of economic growth" than had been assumed when the objective was established in 1977.

The communique stresses that unless effective long term measures are implemented (and monitored) and if nothing was done to change present trends, "the available energy supplies will not be sufficient to support even moderate economic growth".

conservation measures

In these circumstances and in the context of dim prospects for the expansion of exports from OPEC, the IEA meeting decided that the energy shortage solution must be sought principally in conservation, coal, nuclear power, natural gas and greater emphasis on new and renewable sources of energy. Of these the IEA's projection takes coal as a major source of energy in the next century or so. On the nuclear power the setback from the Harrisburg accident is noted by the IEA which reiterates the importance of proceeding with nuclear power development side by side with safety systems if the world is to avoid undesirable economic and social consequences from energy shortage.

It is on conservation and research that the IEA places the greatest hope to contain the impending energy shortage. It has declared October 1979 as "International Conservation Month" during which intensive efforts are to made to obtain public support for energy saving policies necessary to deal with the tightening supply of oil and specifically to prepare for the next winter when the oil shortage will be felt most.

The vagueness about research in energy development and technologies has been overcome and the IEA has obtained firm commitments of member states for several projects into coal technologies, the most promising being in the field of coal and oil mixtures to reduce the amount of oil used in firing existing industrial and utility boilers originally designed to burn only oil. Another project is the development of testing of fluidised bed coal combustion systems which hold the promise of improving the efficacy of coal burning while limiting the emission of sulphur and nitrogen oxides.

Eight other research and development projects will deal with technologies of enhanced oil extraction from currently exploited wells, geothermal energy, energy conservation and solar power. Three of the conservation projects are in the field of design and construction of energy efficient buildings, a fourth in heat storage—which will involve the construction in Germany of an artificial lake, fed by warm waste water from an electricity generating plant, which will be insulated to minimise heat loss. The fifth project to be undertaken jointly by Germany and USA is in the field of high temperature engine materials towards the development of more efficient materials for automation engines.

The solar project, to be undertaken by eight countries, will embark on generating electric power. A 30 million dollar programme will build two 500 KW solar power electric generating units in Spain, each of which are of different technical concepts, one being of the "distributor collective type" and the other being based upon a "Central receiver".

The IEA has offered cooperation on these and other lines with oil exporting and oil importing developing countries. If all the projects get off the ground and achieve reasonable success, the impending energy crisis could be contained till such time as the nuclear fusion system of generating power—an inexhaustable source of energy—is developed.

Planning in Romania

ROMANIA IS experimenting with the democratization of economic planning. It proposes to adopt a comprehensive programme for improving economic and financial management. The measures aim at ensuring a growing role and responsibility for individual enterprises and organisations in managing and planning their own activities, raising workers' participation in management and strengthening the economic and financial apparatus. The new meechanism implies substantially wider dispersal of administrative authority and functions and involves the concept that each enterprise has to cover its production and distribution expenses out of its own income, and to derive profits. At the same time it has to return the funds received from society for its equipment and fixed assets and to secure the self-financing of its modernisation and expansion. It has also to provide material incentives to the workers for an efficient operation of the plant and machinery.

The workers' profit-sharing is the latest effort at relating the income of the working personnel to the results of their activity and to those of the units where they work collectively. Increased shares drawn from the profits, especially those which are derived as a result of over-fulfilment of plans, is distributed by the collective management of the enterprise.

collective management

The enterprises have been given wider powers for the practical application of the self-administration principle. The value of net production which is commonly called value-added by output and physical production have been introduced as basic plan indicators. The instrument of the collective management of the economic units meant to improve the workers' participation, self-administration and the securing of self-financing in the form of income and expenditure budget, has been introduced this year in all enterprises. This synthesizes, in terms of money, the economic activity of each unit, the way funds are used and the way labour efficiency is enhanced.

The new economic and financial mechanism consolidates workers' hold over the Romanian economic units which are also regarded as the basic instruments of growth and expansion. In order to achieve the success of workers' self-management, they directly participate in elaborating and adopting the decisions concerning plan targets and their realisation. The main decisions are taken by the biannual general assemblies of the workers, and between them, by the working people's councils and the enterprises collective management bodies. It is significant for the democratization of planning in Romania that the workers and supervisors directly connected with production in various industrial unts account for 75 per cent of the membership of these bodies.

Nigeria fosters joint ventures

The signing of the agreement last week between Nigeria and India on the setting up of a machine tools manufacturing joint venture in that country by Hindustan Machine Tools, one of our premier public sector undertakings, should augur well for fostering economic collaboration not only between the two countries but also with the other developing nations. The HMT will be having 15 per cent of the equity of this joint venture (Rs 3.38 crores out of the total nearly Rs 14 crores). This subscription will be covered by the supplies of machinery and equipment aggregating to approximately Rs 3.6 crores. The agreement also envisages receipt of technical and other fees by the HMT to the tune of Rs 11.15 crores and royalty on sales during the currency of the agreement at the rate of 2.5 per cent which will bring in Rs 1.42 crores. For the first five years of the operations of the joint venture, the HMT will supply Rs 11.01 crores worth components and machinery in semi or completely knocked down condition.

The protocol, which was signed in respect of above scheme by Dr R.A. Adeleye, Commissioner of Industry, Nigeria, and Mr George Fernandes, the minister of Industry, has identified various other areas of cooperation between the two countries. These include the setting up a joint consultancy firm in Nigeria with participation from another Indian public sector undertaking, the Metallurgical and Engineering Consultants (India) Limited (MECON) and provision of assistance for the promotion of the Nigerian small-scale industries, It also holds promise of our extending training facilities for the Nigerian personnel in industry in general and engineering in particular. The protocol further suggests that a good deal of scope exists for the two countries collaborating with each other in setting up in Nigeria industrial units in various fields.

MECON is already assisting the Nigerian steel industry through the assignment of consultancy and monitoring work in respect of the one million tonne Warri steel plant and the expansion of the Delta steelworks from its present one million tonne capacity to 2.5 million tonnes. It has also been appointed as full consultant for the proposed township near Warri. Another public sector undertaking, namely, Hindustan Steel Construction Ltd (HSCL), has made offers to Nigeria for the supply of equipment and construction services for the Ajaokntа iron and steel plant to be established with assistance from Tyashproxexport of the USSR. As the formal contract for Soviet assistance is yet to be signed, this offer of the HSL is understood to be under the consideration by the Nigerian authorities. Yet another public sector concern, the National Mineral Development Corporation, has shown interest in extending assistance for the mining of iron ore, its benefication and pelletisation in Nigeria.

designing assignment

In the small-scale sector, the National Industrial Development Corporation, another government of India enterprise, has completed recently an assignment from the Nigerian authorities pertaining to the preparation of detailed designs for the establishment of some water supply schemes. Assistance has also been offered in the infrastructure fields, particularly transport. RITES, which is interested in participation in the conversion programme of the Nigerian railways and also in the construction of a new railway line there, has been retained by the Nigerian Railway Corporation to carry out techno-economic feasibility studies for the above conversion and expansion programmes.

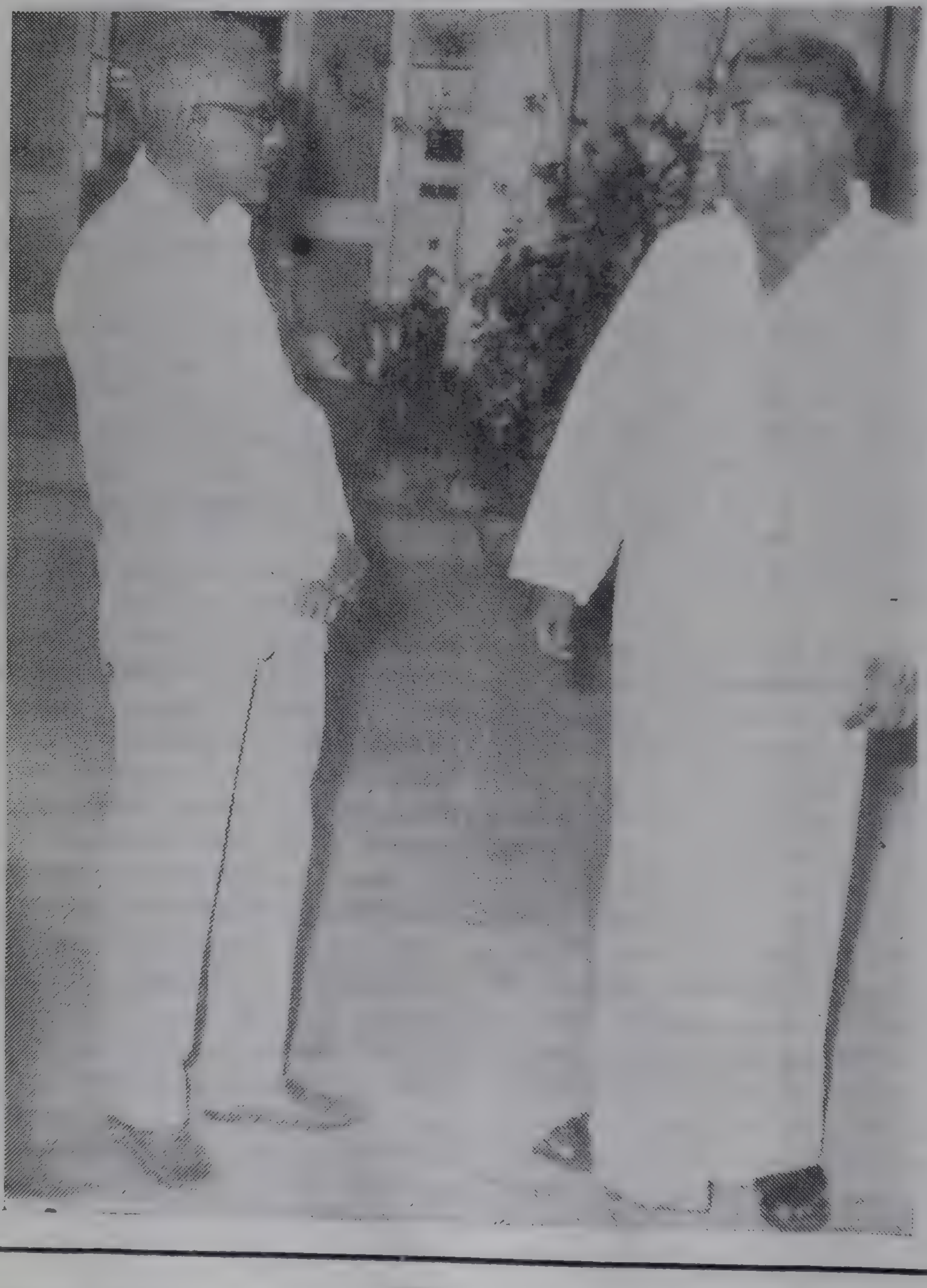
The keeness of Nigeria in securing supplies from India for its developmental programmes should be evident from the fact that its imports from this country have shown encouraging trends in the recent past. They aggregated to Rs 8.6 crores in 1970-71 and grew to as much as Rs 37.6 crores by 1975-76. There has been some setback subsequently. Yet they had been around Rs 25 crores in 1976-77 & 1977-78.

Cover feature

Bosu discusses his bombshells

This interview with Mr Jyotirmoy Bosu took place on June 4, although I was keen on talking to him about his experiences as chairman of the parliamentary committee on public undertakings (COPU), immediately after his two-year term in that office had ended. Eventually, by the time the interview could at last take place, Mr J.R.D. Tata's strong reaction to the COPU report on Air-India had appeared in the press and Mr Bosu's mind, on the evening of my interview with him, was full of what he was going to say in a rejoinder to Mr Tata at the press conference which had been scheduled for the day after.

The Hindustan Times *(Delhi edition of June 7) referred to Mr Bosu as "a Marxist MP". This is an understatement for Mr Bosu is* **the** *communist member of parliament, as any journalist who has watched him perform in Lok Sabha should certify. With Mr Bhupesh Gupta, who is in Rajya Sabha, fast becoming a memory, the present, so far as the effective communist performance in parliament goes, belongs firmly to Mr Bosu.*



I had had my emotional flirtation with Marxism in my college days and if I were ever to be tempted again by communist philosophy of any kind, the snake in the grass could only be Mr Bosu. He is a man of strong views stridently expressed and I myself being of like temperament, am attracted rather than repelled by this quality in him.

Mentally Mr Bosu is extremely agile. Too agile, in fact. He is probably not capable of sharing a dialogue with anyone, although he must be an agreeable companion in conversation. This means that there are strict technical limitations on reporting an interview with him in the usual question-and-answer form. I have therefore adopted a different procedure here. This has meant that, although I have tried to adhere as faithfully as possible to the spirit and substance of what he said, the account which appears on these pages cannot claim to be a verbatim report of his observations. In fact, I have done much extracting and summarising and, if, in the process, I have erred in any manner, the lapse must be unintentional and it carries my anticipatory apologies.

V. Balasubramanian

From tea to politics

Mr Jyotirmoy Bosu, no doubt, is a born politician, but he nevertheless had to discover it for himself. As a young man, he was a tea-taster in a British tea firm with interlocking capital with leading tea interests in Europe and trade connections with tea firms in the United States. Soon Mr Bosu came to dislike it—not the taste of tea, which he seems to be fond of, but this business of working for a British firm which he learnt to look down upon as a colonialist exploiter of his country's economy. As Mr Bosu put it, he did not want to be a bullock carrying beef.

The catalyst was late Harry Pollitt of the Communist movement in Britain. Pollitt's philosophy and particularly his Marxist approach to colonialism attracted Mr Bosu and was largely instrumental in prompting him to leave the job with the tea firm and seek his true destiny elsewhere.

Bosu and his bete noire

Among Mr Bosu's proud claims is that he is a relentless foe of the multinationals whom he chooses to regard as being in the tradition of the colonialist exploiters. He designates them as the descendants of the merchant adventurers of the pioneering days of British and western imperialism. This antipathy and antagonism he attributes to his "tea days".

So intense is his hostility to the multinationals that Mr Bosu is even prepared to break bread with the big Indian "capitalists" provided the latter could show more enterprise in taking some of the bread out of the mouth of the foreign sector in industry. "Between the the foreign merchant adventurers and national *bourgeois* whom we now call multinationals," declares Mr Bosu, "I will any day prefer the former."

Mr Bosu explains that this is for two reasons. "I am after all an Indian", he exclaims disarmingly and secondly, "we can always deal with our capitalist class" and this is precisely what his party, he assures us, intends doing when the time comes. Meanwhile he would like the big Indian capitalists, as he calls them, to shed their inferiority complex, as he puts it, and wrest the business from foreign companies in this country. He argues that Britannia Biscuit, has been able to grow at the expense of Indian firms such as Mangarams and put so many of them out of business. I asked jokingly whether it was his case that the Birlas, for instance, should enter the biscuit industry. He said that he would not mind if they do, but I pointed out to him that Mr George Fernandes who, after all, happens to be the Industry minister, might think differently.

> *"A jute grower is the worst exploited creature. A tobacco grower is also a much exploited man. I toured the tobacco marketing areas last year and I have seen tobacco sold at Rs 80 per quintal. Now if you put six kilos of green leaves, you get one kilo of flue-cured tobacco. At 80 paise per kilo of flue-cured tobacco, this works out to 13 paise per kilo of tobacco leaves. Can you get any kind of reject vegetables or any kind of grass in Delhi for 13 paise per kilo? So they stopped plucking because the plucking became unremunerative, carriage became unremunerative, they could not pay hire charges for bullock carts."*

Mr Bosu's main targets among "multinationals" however, appear to be ITC and Hindustan Lever. He insisted on referring to the former as Imperial Tobacco Company. According to the rather simple thesis of Mr Bosu, ITC has made "all that money", which it is putting into its hotel, sea-food, paper and other businesses only by exploiting tobacco growers.

I pointed out that tobacco growers were not exactly representative of the poor or exploited sections of the farming community in our country.

Mr Bosu handsomely admitted that there were many large tobacco farmers who were certainly quite affluent and were obviously prospering. He said that last year when funds were distributed for the rehabilitation of devastated farm land in the cyclone affected areas of Andhra Pradesh, "we" removed the names of the big tobacco farmers from the eligibility lists for grants or concessional loans. The financial assistance given to them was only in the form of loans bearing normal interest and repayment terms.

Mr Bosu holds equally strong view on what he describes as the exploitation of the consumer by the "multinational" in the soap industry. The fatty content of soap, Mr Bosu complains, should, according to a technical committee, be 72 per cent, but Hindustan Lever is marketing soap with only 52 per cent fatty content. Mr Bosu asserts that this lower percentage is not justified by any such consideration as technological improvements in the manufacture of soap or the need for catering for consumer demands for cosmetic qualities in toilet soaps. He argues that the lower fatty content means a "sub-standard" product and therefore an unfair deal for the consumer. He further contends that competition hardly exists to "Lever Brothers" in the soap industry.

COPU controversies

Mr Bosu is obviously proud of the work he has been able to do during his two-year term of chairmanship of the parliamentary committee on public enterprises. During this period the committee had completed 60 reports in all, an all-time record. This apart, some of these reports have been colourful and controversial and in a few cases even sensational. A number of them has certainly attracted wide public interest.

Asked whether he is generally satisfied with the government's response to the recommendations made in these reports. Mr Bosu said that the very purpose of this report was to provide basic material for discussions being raised in parliament in one form or another on the points made in these reports. In any case the very first report made during Mr Bosu's term was, according to him, a great success. This report, he claims, saved the Inland Water Transport Corporation, which the government was about to wind up. In Mr Bosu's view the rescue of this corporation was a very constructive achievement.

> *"The big problems in West Bengal are power, unemployment, industrial investment not picking up. In the case of power, maintenance had been neglected all these years. Poor quality coal has been damaging boilers. There has also been political sabotage by the Congress(I). I have a lot of material about all this."*

He points out that the in-depth study made by the committee of the economy of inland water transport helped the government to reorganize the corporation financially and otherwise in such a way that the corporation is now playing an extremely useful role in the north-eastern region in moving bulk cargo in an efficient and economic manner. The traffic offering has been steadily increasing, establishing the advantages of this mode of transport in this area. Mr Bosu emphasizes that water transport is a great saver of precious fuel. It is "the cheapest, the safest and the best", its consumption of diesel oil is only one-tenth that of road transport.

> *"If I am to choose between a foreigner and an Indian capitalist I would certainly choose the Indian capitalist. I cannot forget that I am an Indian after all, an Indian after all."*

Mr Bosu, however, is disappointed that the government had not acted on the advice given in a report of the committee recommending a very sharp increase in the minimum price for raw jute, but he derives great satisfaction from the fact that the nationalization of the raw jute trade suggested in that report is now being adopted through the scheme of official monopoly procurement of the fibre from the growers,

I asked him how he could support monopoly procurement through the Jute Corporation of India when the COPU report itself had been critical of the way this body has been functioning even in the limited context of the very modest transactions it had been carrying on hitherto. Mr Bosu, raising his voice, readily agreed that the functioning of the corporation had been far from desirable, but in his view, there was really no alternative to state trading in raw jute if the interests of the jute growers were to be protected effectively. He argued that, in any case, the working of the Jute Corporation of India would be kept under the careful scrutiny of parliament when monopoly procurement was brought into effect.

> *"If a communist has regional ego, he will be expelled from the party. I am a citizen of the world."*

Mr Bosu, in fact, said that not only should the raw jute trade be nationalized but also the export trade in jute manufactures. I asked him why, in that case, he did not propose the nationalization of the jute industry and be done with it, instead of advocating a pincer movement which should in effect drive out the jute mills in the private sector. Borrowing his own phrase, I asked why the mills should put up with being bulls carrying beef. Mr Bosu retorted that he would not be sorry if the ultimate result were to be these mills going out of business and that the strategy he was proposing would obviously bring down the financial cost of the state acquisition of the jute industry.

Games they play

Among the COPU report which Mr Bosu rates high is the one on economic offences. He believes that the committee has done a good job here in creating a proper atmosphere for cleaning up the administration, although he is far from being satisfied with the evasive altitude of the government when it comes to punishing errant officials. He is happy, however, that the report has succeeded in producing enough material for sustaining parliament's interest in the subject.

Regarding the COPU report on

the proposed BHEL agreement with Siemens, Mr Bosu firmly rejects any suggestion that he was unduly influenced by the hostile propaganda carried against the agreement by the CPI(M) leader, Mr P. Ramamurthy, or that he played favourites by relying excessively on the evidence given by Mr Ramamurthy.

I provoked him by narrating a true incident. I told him that a few days after this COPU report had been published in the press, I happened to meet Mr Ramamurthy at a seminar and that the latter took credit for having successfully persuaded Mr Bosu to hurry up and produce the report before his term as chairman of the committee was over. Mr Bosu reacted by saying that he was prepared to be very frank about the whole thing.

He said that, although Mr Ramamurthy was a much respected senior leader in the party to which they both belonged and he had the greatest admiration for Mr Ramamurthy's intellect and character, he had scrupulously refrained from being improperly influenced by the strong views which Mr Ramamurthy held in criticism of the proposed agreement. He said that he got a letter signed by a number of members of parliament—Dr Subramaniam Swamy being one of them—asking the committee to take up this subject on a priority basis. He claimed that so far as Mr Ramamurthy's appearance before the committee was concerned, the latter was treated as any other witness and that no undue importance was given to the views expressed by this witness on purely technical matters. In fact, said Mr Bosu, he had not agreed with or accepted many of the observations made by Mr Ramamurthy and that, although earlier Mr Ramamurthy had given him a copy of his booklet criticising the proposed BHEL-Siemens agreement, he had refrained from even opening it and glancing cursorily at the pages. In fact, he had informed Mr Ramamurthy that as chairman of the COPU, he was under a strict obligation to be guided only by the material produced before it and studied by the committee.

"You must understand that I have come from a mercantile house to politics and I have been trained by Scotsmen who are number one capitalists in the world."

Mr Bosu maintained that one of the considerations which weighed with the committee was how far there had been compliance on the part of BHEL with its own rules and procedures, manuals and standing orders, in negotiating the proposed agreement with Siemens and it was the committee's view that, in a number of important particulars, the compliance was lacking. He asserted that the COPU had taken care to do "a very, very fair job."

He was not very convincing in his attempt to satisfy me when I pointed out to him that, by addressing itself to a matter which was being examined at the time at various levels of the government, including the cabinet, the COPU had set an undesirable precedent and in fact placed itself in an invidious position. Supposing the government had taken a decision one way or the other on the proposed agreement, while the COPU was seized of the matter, would not some MPs have conceivably raised an issue of parliamentary privilege against the ministers and officials ? It was clear that he had not thought of that one.

"As a communist I believe in public ownership, as a communist I believe that if we bring it (raw jute trade) under government control, it will be under the scrutiny of people like us in parliament and the corruption at a certain point of time could be restricted if not totally eliminated. In the jute corporation there is corruption no doubt, there is not only corruption in the payment of prices and manufacturing bogus vouchers, there is even corruption in the matter of delivery. But if monopoly purchase of jute is made, at least the grower will be assured of a certain price and thus we could make a start in helping him."

Mr Bosu, however, gave an interesting bit of information. When he asked Dr Manmohan Singh, economic secretary in the Finance ministry and the ex-officio chairman of the Foreign Investment Board, to tell the committee how the government was dealing with the proposed BHEL-Siemens agreement, the latter was reluctant to do so, since the matter was under the active consideration of the cabinet. Mr Bosu, however, was able to convince this official that the rules and procedures permitted the witness to disclose the necessary information in private to the chairman of the parliamentary committee.

About the COPU report on Air-India, there is no need to write here in detail, since my questions and Mr Bosu's answers covered the same ground as was subsequently gone over at the press conference which Mr Bosu held on June 6, two days after he was interviewed by me. I must mention, however, some of my impressions.

"Let them (the jute industry) hand over the mills to the government, let the share prices collapse, the government can then take them over. Why should the government come forward to pay an exorbitant price for these jute mills? Government should take over the raw jute trade where all the juice lies and also the jute goods export trade."

Mr Bosu, it was apparent, was deeply hurt by the strong language used by Mr J.R.D. Tata. He said repeatedly that he had always had great respect for Mr Tata and that he was therefore sad that Mr Tata has spoken in a way which was very uncharacteristic of him. I pointed out to him that Mr Tata after all had also reason to feel pained. The COPU's vehemently adverse report on Air-India was essentially an indictment of Mr Tata's stewardship of that organization. Mr Tata moreover could have felt that it was his duty to defend as strongly as possible those whom he obviously regarded as highly dedicated and competent colleagues of his in the great adventure of building a famous international airlines for this country of ours.

Mr Bosu, again, was extremely sensitive to the reference made by Mr Tata to Mr Bosu's "regional ego." Mr Bosu said that a communist, by definition, could not have a regional bias and that to charge him of all people with regionalism was absolutely unwarranted. In fact, if regionalism were to be insinuated, the boot would be on the other foot, asserted Mr Bosu, adding that Air-India's recruitment policy even for personnel outside the technical categories, might not bear scrutiny in this context.

Mr Bosu was impatient with the complaint that the COPU report had damaged the image of the Air-India maharaja. He said in effect that when the parliamentary committee found that the emperor was without its clothes, it was its duty to say so. Mr Bosu declared that, as a communist, he was a firm believer in public ownership. At the same time he would not buy the idea that public sector undertakings had a divine right to be whitewashed by those who believed in state ownership or even communism. On the contrary, he argued, the essence of communist philosophy was that public ownership gave an unlimited right to the representatives of the people to exercise the greatest vigilance on the working of state enterprises and ensure that they set the highest standards of integrity and loyalty to the public interest. The extension of state ownership, in his view, was also the extension of parliamentary control over public undertakings.

"The areas which have been deliberately neglected are Calcutta airport and Madras airport. They have been deprived of international flights and as a result the exchequer has been subsidising these two international airports to the extent of Rs one crore per year. Now we have clearly exposed the whole game and recommended that the incoming and outgoing international flights including those of national carrier should be as far as possible evenly distributed."

Mr Bosu was unrepentant about his reputation as a relentless inquisitor. He obviously rejoices in the fact that government officials who were to appear before the COPU, when he was its chairman, made sure that they came adequately prepared with information that the committee might seek from them. He told me that, however useful the evidence of government officials might be, it was still necessary to supplement it with information secured from witnesses from outside. He said that one advantage of an unofficial witness was that, once he was before the committee and behind closed doors, he usually felt disposed to talk freely and, in the process, provide evidence or information which might otherwise not become available at all.

"As chairman of the accounts committee of the Coffee Board, when they wanted to close down the coffee houses, 400 and odd, I said 'nothing doing'. I pointed out that the coffee houses were doing a great service; they were acting as a stabiliser of coffee prices."

Speaking with the greatest emphasis, Mr Bosu said that, so far as securing information or evidence which went to protect the public interest was concerned, the only view that a parliamentary committee should take was that "the sky is the limit". He said that he could not and would not compromise on this principle. Looking forward to the labours of the petitions committee of parliament, he said that he was greatly enthused by the prospects of making it function as an ombudsman for all practical purposes. His understanding was that the petitions committee could go into any public grievance with the functioning of the government in any of its parts and try to secure redress for aggrieved citizens.

Wall Street still poised for a big leap

New York

Sudhir Sen

Until a few years ago, common stocks offered an appreciably higher yield than bonds and treasury bills. At present the yield on highest grade bonds is 3.5 percentage points better than stocks. In Wall Street, this is called a premium for not taking risks. No wonder there is a massive flight of capital from stocks to high-yielding debt instruments. President Carter had, while campaigning for presidentship promised relief to stockholders which has considerably been watered down. Add to this the unpredictable Fed policy with erratic fluctuations in interest rates and the author finds Wall Street so volatile that the individual is scared of making investment in stocks.

TWICE LAST year there were frenzied rallies in Wall Street, once in April-May and again in mid-summer. They were then hailed as harbingers of a roaring bull market not too far down the road.* Since then the overall market has practically got nowhere. There have been sharp, at times even wild, swings in the Dow Jones Industrial Average (DJIA), but it has remained locked within a narrow band—between the low 800s and 860s. The bulls are still waiting, wistfully and impatiently, for the arrival of their own Godot.

What, then, went wrong? Was the projection of a sharp rise in stock prices ill-founded to start with? And what are the prospects for the future, both near term and long term? These questions are being debated interminably in the investment community. And at this moment opinion remains sharply, almost evenly, divided, especially about the short or intermediate term outlook. However, when it comes to "long term", which, in Wall Street parlour, means anything longer than six months, there is still a strong bullish consensus among astute market observers. They firmly believe that, by the early eighties, Dow Jones should rise by some 100 per cent or more from its present level—to 1500 and beyond.

At first sight, such a projection might look starry-eyed; yet, it is based on down-to-earth realities. Put in the simplest terms, in this temple of capitalism something unbelievable has happened in recent years. Even in an age of hyper-inflation, stock prices have remained stagnant. In the last ten years the cost of living has jumped by 100 per cent; the value of the dollar has been halved; yet, Dow Jones has continued to languish around a level no higher than the peak it reached in the mid-sixties. As a result, today's stock prices do not reflect today's realities. Even the bluest of the blue chips are quoted at prices far below their asset values—the replacement cost of the plants they represent would quite often be two to three times higher. This is a highly untenable situation which cannot last indefinitely. Stock prices must sooner or later be adjusted to today's inflationary climate. When this catching up process begins, the market will explode.

significant changes

According to economic textbooks, the worst sufferers in times of inflation are those with fixed incomes, while debtors gain at the expense of creditors who are paid back their dues in depreciated currency. Recent years have seen quite significant changes in this once-familiar pattern of relationships. Salaries, wages and pensions have been increasingly "indexed" and are thereby largely protected in real terms. Even bond-holders who comprise a large segment of the lenders in a modern economy have clamoured for and received substantial protection through an inflation premium built into the interest rates, which has pushed up bond yields close to double-digit levels.

But high interest rate has a lethal effect on stock prices. At present the prime rate, that is, the interest charged by commercial banks to their most credit-worthy customers, is only an eyelash below 12 per cent. Triple-A bonds, that is, those with the highest security rating

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*See my article "Behind the Frenzied Rallies in Wall Street", *Eastern Economist*, September 8, 1978.

yield nine per cent or more. Even three-month and six-month treasury bills now give a record yield of as much as 9 to 10 per cent. When investors can earn such generous incomes which, until recently was unheard of in the US economy, and can do so at zero risk, who would invest savings in common stocks to earn one-half of that amount and run a high risk of capital loss into the bargain ?

flight of capital

No wonder that there should have been a massive flight of capital from stocks to high-yielding debt instruments. The result has been a slump in the stock market. In the fifties and the sixties, common stocks were regarded as the best hegde against inflation. But things changed radically in the seventies, and stocks offered as effective a defence against soaring inflation as the Maginot line in a blitzkrieg. Hurt by the sharp swings of the market, individual investors turned to other areas in their anxiety to protect their capital from further erosion caused by rising prices—primarily to real estate and housing, but also to gold and silver, antiques and art products, and to anticipatory purchases of consumer durables like automobiles on the rationale that buying now, even with borrowed money, would be cheaper than buying next year. All this has accentuated the fall in stock prices.

There is little doubt that stockholders have been some of the worst victims of the recent surge in inflation. What is not yet fully appreciated, however, is how badly the stock market slump has hurt the US economy. The flight of capital from the market has fed the speculative boom in housing and real estates, and has given an artificial stimulus to the demand for a broad spectrum of consumer goods, and thereby it has aggravated inflation. Besides, it has discouraged equity investment and capital formation at a time when it was badly needed to update aging plants, to expand overall plant capacity, and to improve productivity which has been shrinking for some time and is contributing to rising costs and higher prices.

There was an excellent opportunity which president Carter could have seized to reverse the slide in equity investment, but which he unfortunately missed. While campaigning as a presidential candidate in 1976, he had repeatedly promised that, if elected, he would remove the double taxation of stock dividends, once as corporate tax paid by the corporations on their gross incomes prior to the distribution of dividends to their stockholders and again by individual taxpayers as income tax on their total incomes including the same dividends. This is all the more anomalous since the dividends or interests on corporate bonds are treated as costs and are therefore exempt from the corporate tax.

The discrimination in favour of bonds put a fortuitous premium on debt financing as against equity financing, and thereby distorted the capital structure of many corporations which were overloaded with risk-free debentures, but undercapitalized in terms of risk-bearing common stocks. Mr Carter's promise to do away with this anomaly was therefore greeted with a sense of relief by the business community and the investing public. Incidentally, this single item in his campaign platform probably swung enough votes in his favour to give him an electoral victory.

unacceptable proposal

As president, Mr Carter proceeded to redeem this campaign pledge, but half way he stopped short, apparently out of fear that he would appear to be "soft" on business which might hurt his populist image. And so he proposed a trade-off which would raise the then-existing capital gains tax from 50 per cent by 10 to 20 percentage points in return for the elimination of double taxation on dividends. Such watering-down of a clear-cut campaign promise was resented by businessmen. The new proposal was unacceptable to them : and if this was the choice, they made clear that they would much rather keep the status quo intact in respect of both the capital gains tax and the taxation of dividend incomes.

What finally transpired had more than a touch of irony. By then, a movement for tax-cutting, started first in California, was rapidly gaining momentum, and soon it invaded the 95th Congress. A bill was introduced to roll the capital gains tax back to its 1968 level of 25 per cent, and soon it was clear that there were enough votes to pass the bill. In dismay, the administration set out to avert the worst. In the end a compromise was struck and the capital gains tax was reduced to 37 per cent. There was no trade-of, nor any relief from double taxation on dividends. The lower capital gains tax may stimulate some new investment, but there is no guarantee that it will. It is a poor substitute that was forced upon Mr Carter, mainly because of his maladroit, if not disingenuous, handling of his original pledge.

reversed relationship

Until a few years ago, common stocks offered an appreciably higher yield than bonds and treasury bills; the spread represented the risk premium in favour of stocks. That relationship has lately been reversed. At present the yield on the highest-grade bonds is about 3.5 percentage points better than on stocks : on intermediate government notes the yield advantage is about four percentage points; and on prime commercial notes it amounts to 4.5 per cent. This "perverse gap"—as it is called in Wall Street because it is a premium given to people for *not* taking risks—should be enough to keep investors off the market.

Besides, in the last few years Wall Street has undergone radical changes and has increasingly become a treacherous place. As was explained in the September article referred to above, it is now dominated by institutions which account for 75 per cent of daily transactions; fixed brokerage commissions have been replaced by privately negotiated rates, which are far more advantageous to institutions than to individual investors; the fetish of market-timing approach adopted by institutions resulting in panic buying and selling and thereby widening the market swings.

To all these should be added three other major imponderables; an unpredictable Fed policy with erratic fluctuations in interest rates; the floating dollar and its dismal behaviour over the last year; and, last but certainly not least, the inability of Washington to come to grips with such crucial problems as inflation, energy and the dollar, which has introduced a massive dose of uncertainty into the economy as well as the stock market.

The net effect of all these factors has been a steep rise in market volatility. Gone are those good old days when a trend, once it set in, used to last six months or longer. The popular market indices, including the Dow Jones, are right now practically where they were last fall. But they hide the fact that these seven months have seen a series of sharp ups and downs. Stock prices have made ten swings since mid-September, each of four per cent or more, but with none lasting more than a few weeks.

a dramatic drop

The second half of October saw a dramatic drop in stock prices—in two weeks the market as measured by the Dow Jones fell more than 12 per cent. The secondary stocks took a beating not experienced since the crash of 1929 that heralded the Great Depression. Many investors, including countless individuals, were whipsawed in this "October massacre".

The most proximate cause of this debacle was Washington's hands-off policy in face of a sinking dollar. Then, on November 1, came an abrupt about-turn, when a grim president announced a massive dollar-rescue package. On that day the Dow soared 34 points, its record gain on a single day, accompanied by huge volume. After a few days of hectic activity another lull set in; but late in the year the market began to rally, and in 27 days running into late January, it pushed up the Dow by nine per cent.

The significance of these percentage figures can be judged from the fact that the issues traded on the New York Stock Exchange (NYSE) around 1800 in all, have currently an aggregate value of $850 billion. A one per cent change in either direction means a swing of some $8.5 billion. And apart from the NYSE, there are two other, though smaller, stock markets.

Wall Street has become so volatile that even nimble traders feel frustrated and get badly caught from time to time in its sudden swings. Where seasoned professionals fear to tread, who would blame individual investors if they do not rush in like fools ?

This is the market as it has been in the last few years, and more so in the last twelve months. Given this backdrop, how can one feel bullish about its longer-term outlook ? The optimism stems from an axiom : in economic life nothing can move indefinitely in one direction, for there are built-in correctives which, sooner or later, come into play to rectify glaring distortions. This is what is about to happen to the stock prices which have remained absurdly depressed far too long. Though its exact timing is hard to foretell, this affirmative conclusion is backed by three solid facts :

First, by now almost everything in life has been more or less adjusted to the continuing inflation. The only, and the most glaring, exception are the common stocks. This means that, at this stage, they provide by far the best hedge against future inflation. This perception is dawning among investors, and it cannot be very long before they begin to act on its basis.

mountain of cash

Second, institutions, these crazy and clumsy market-timers, are now uneasily sitting on a mountain of cash, afraid to commit it to common stocks too soon, more so when it can fetch 10 per cent or more with nil risk, but equally afraid lest they miss a big chance to make big money. This nervous waiting game cannot go on for ever. They are likely to decide, perhaps fairly soon, that running small risks for big gains is what the investment game is all about.

Even foreign investors, especially of west Europe, have been infected by this new market-timing virus and are waiting on the sidelines with loads of cash. A year ago, assuming that the dollar had seen its worst, they triggered a rousing rally in Wall Street, but only to receive reeling blows a few months later from the sinking dollar and the plummeting market. Once bitten, three times shy ! They are eager to return, but also not to repeat the same error. Their reappearance can only be a matter of months, if not weeks. Meanwhile, it is significant that they are increasingly buying up well-run American corporations, paying huge premiums over the market quotations of their stocks, which vividly testifies to their present undervaluation.

And finally, the 50-month old business cycle is about to peak. Despite the ongoing debate about the amount of steam still left in it, scattered symptoms of a slowdown are cropping up in several key sectors. And it can only be hastened by the rising energy cost which is draining purchasing power not only from the consumers, but also from the economy since in the end it is shipped to OPEC. This means that interest rates, the arch-villain that has wrought havoc in the equity market, are at long last about to peak out. Once this is unequivocally confirmed, it will flash the long-awaited signal for the bull market and the hordes of cash will rush in from the sidelines.

The Value Line, a well-known and well-regarded investment advisosy service, in its latest weekly report (May 11) urges investors to maintain a "fully invested position in common stocks." The next major move in stock prices will be upward, it predicts and then warns : "No clarion will announce when the charge is to begin. Better too early than too late." This is sound advice.

I don't care about income
EXPENDITURE TAX SCHEME
BIRTHDAY PURSE FROM KISAN SAMMELAN

Geography in Indo-Nepalese relations

Vijaya Shastri

Economic relations between India and Nepal are dominated by their geographic contiguity, says the author who is UGC research scholar at Nagpur Mahavidyalaya. Because of easier access between the two countries, India is Nepal's major trade partner and a major aid donor. The Nepalese working in this country have been a significant source of that country's income. Nepal's location makes it very important to India's defence strategy.

FEW OTHER countries in the world are so indissolubly interlinked with each other economically, politically, historically and culturally as India and Nepal. The most significant factor which has nurtured Indo-Nepalese economic relations through the ages is the geographical setting of the two countries. As far as geography is concerned, Nepal forms a contiguous part of the Indian sub-continent. More than 80 per cent of Nepal's trade is carried on with India and for almost all of its remaining trade with third countries, it depends upon India for transit facilities.

Nepal is sandwiched between two giant countries, India in the south and China in the north (Fig. 1). The northern region is rough and inaccessible in parts. High Himalayan ranges are great physical and climatic barriers which obstruct Nepal's trade with China. There is also a huge arid tableland of Tibet which averages in altitude to 15,000 ft. Beyond it there is the Gobi desert. On the contrary, there is absence of any physical barrier against Nepal's southern neighbour. Thus geography makes it convenient for Nepal to trade with India and through India with other countries of the world.

natural attraction

Nepal's population is 12 million while that of India is 650 million and that of China 850 million. Thus India's population is 50 times and China's population 70 times that of Nepal. But the Chinese population centres are relatively far from the Nepalese border as compared to India. This makes it natural for Nepal to have more trade with India as compared to China.

This landlocked Himalayan kingdom has many features in common with other landlocked countries. However, its geographical situation is unique in the sense that other landlocked countries have an option to choose among two or three countries for the transit facilities for their overseas trade. Afghanistan can choose among Iran, Pakistan and the USSR and Switzerland can choose among France, Austria, Italy or Germany to reach the sea. But India alone enjoys the monopoly over overseas transit facilities to Nepal. Nepal does not have a sea-coast. The nearest port is the Indian port at Calcutta which is 500 miles away from Nepal. Chinese port of Canton is 2800 km away from Nepal.

significant consequence

A significant consequence of Nepal's landlocked position is its close economic link with India. Lack of convenient access to any third country compels it to depend on India for many essential commodities of day-to-day needs such as salt, sugar and coal. Nepal imports textiles, salt, tobacco, mineral oil, iron and steel, other metals, metal manufactures, cement, drugs, medicines, sugar and tea, motor vehicles, machinery, vegetable oils, soaps and a variety of articles from India. Nepal's exports to India consist of jute manufactures, rice, ghee, mustard, rape seed, wood, timber, medicinal herbs and oilseeds.

With increasing development activity and its growing economic betterment, Nepal's needs are increasing and it is natural that it should be seeking their fulfilment from neighbouring India. With the establishment of new industries in India, its productive capacity has greatly enhanced and it is in a position to help Nepal in its development process. Imports from India are advantageous to Nepal as they do not involve expenditure of its hard-earned foreign currency. Moreover, imports from India are cheaper for Nepal than from anywhere else. Likewise, India provides the natural market for Nepalese goods such as rice, wheat, timber, hides and skins mainly because it can absorb the lot at the kingdom's doorsteps. The Indian states adjoining it are faced almost regularly with food shortages which is partly met by Nepal. These areas absorb a variety of goods produced in Nepal. Moreover, small volume of Nepalese exports dominated by foodstuffs and unprocessed raw materials do not provide much scope for overseas trade as does India for her growing population and industries.

major partner

India acts as a major trade partner of Nepal. Table I reveals the trade concentration of Nepal with India. During 1960 to 1970, more than 98 per cent exports and more than 92 per cent imports of Nepal were confined to India. Nepal's imports from and more so her exports to China were negligible during the sixties. Seventies have seen a decline in India's share in total trade of Nepal. Decline in Nepal's imports from India is steeper than her exports to India. This can be attributed to the trade diversification policy of Nepal as well as to the construction of Kathmandu-Kodari road with the Chinese assistance. However, India remains and will remain the major trade partner of Nepal. This excessive dependence on one market for it entire foreign trade arises because of peculiar geographic situation of Nepal. While the small size of Nepal compels it to resort to international trade, its geographical position limits its option to trade with countries other than India. The cumulative effect of Nepal's geographic situation, landlocked position and monopoly of Indi in providing transit facilities to Nepal is clearly reflected in her foreign trade.

Nepal is characterised by two dominant

topographical features, three parallel mountain ranges—the Himalayas, the Mahabharata and the Siwalik lie along the east-west axis, the three major river systems Karnali, Kosi and Gandaki cut through them. The vertical flow of these rivers, their deep gorges and rugged transverse ridges, difficult terrain with untamed rivers and dense forests complicate east-west communication and make even the inland movement in Nepal quite hazardous. Naturally, India provides the convenient route for movement even from one place to another inside this Himalayan kingdom. Most of the overland routes of travel from Kathmandu to outlying districts go across the Indian border, through Indian territory and back into Nepal through Galgalia, Jogbani, Bhimnagar, Jayanagar, Raxaul Nautanwa, Barhni, Nepalganj Road, Gauri Phanta and Banbasa.[1] (Fig. 2).

trade centres

The chief trade centres of the Terai are Birganj, Biratnagar, Bhairawa, Simra, Nepalganj, Darbhange Hanumannagar, Malangwa, Jhapa, Janakpur, Tualihwa and Bilauri are minor trade centres. The trade centres of Nepal are located chiefly at the junctions of transport routes and at the point of transhipment.[2] The agricultural products of the Terai and goods flowing from the mountains on roads and trails come to the trade centres of the Terai, located on highways leading into India and close to the Indian railhead terminals.

Trade between Tibet and Nepal is carried on through the chief trade centres in Nepalese Himalaya, Kathmandu, Gurkha, Jumla, Dadeldhura and Tapleganj. The chief route north-east from Kathmandu following a tributary Kosi passes the frontier town of Kadan. Another route starting from Kathmandu follows the main eastern stream of Gandak, crosses the frontier at Rasua Garhi and ultimately reaches Tibet. Both of these routes are extremely difficult. The only beasts of burden available are sheep and goats.[3] This geography hampers Nepal's relations with China and facilitates its relations with south, i.e. India.

Terai enjoys development because of its easy accessibility with India. Economically, with the exception of Kathmandu valley, Terai is the most developed region of Nepal and yields 75 per cent of state's revenue. Geographically and culturally, Terai is the extension of Indo-Gangetic plain. A majority of Nepal's industries is located in the Terai.[4] The availability of the Indian transportation system, new macadam roads as well as railroads is a key factor in the development of industry in the Terai and a primary reason for the lack of such development in the hill region. This lack of development prevents Nepal's trade relations with its northern neighbour China.

Geography has always helped Nepal in maintaining its key position despite its limited size, resources and military capability. While almost all the states in Asia fell under the sway of foreign domination, Nepal could preserve its independence.

Apart from making India its major trade partner, geography has made India Nepal's major aid donor. While India has been one of the largest recipients of external assistance among developing countries, it has also been one of the important donor countries providing assistance to other developing countries particularly its immediate neighbours. India was the first country to make the mark as an aid-donor to Nepal.

Nepal occupies one-third of Himalayan bastion upon which the Indian sub-continent depends for its security. Nepal's location makes it for India the most strategic defence outpost in the Himalayas as the natural barrier of India's northern frontier lies in that country. Nepal controls a number of important strategic passes such as Kuti, Kodari, Mustang, Hatia, Kerong, etc that connect the Indian sub-continent with China in the north by land. Difficult though they are, it is through these passes that and, invader from the north can penetrate into the Indian sub-continent. History bears testimony to the fact that the Chinese had attacked Nepal during the Tibeto-Nepalese war in 1789-92 through these passes.[5] Even in this missile age when geography has ordinarily ceased to be an insur-

Fig. 1

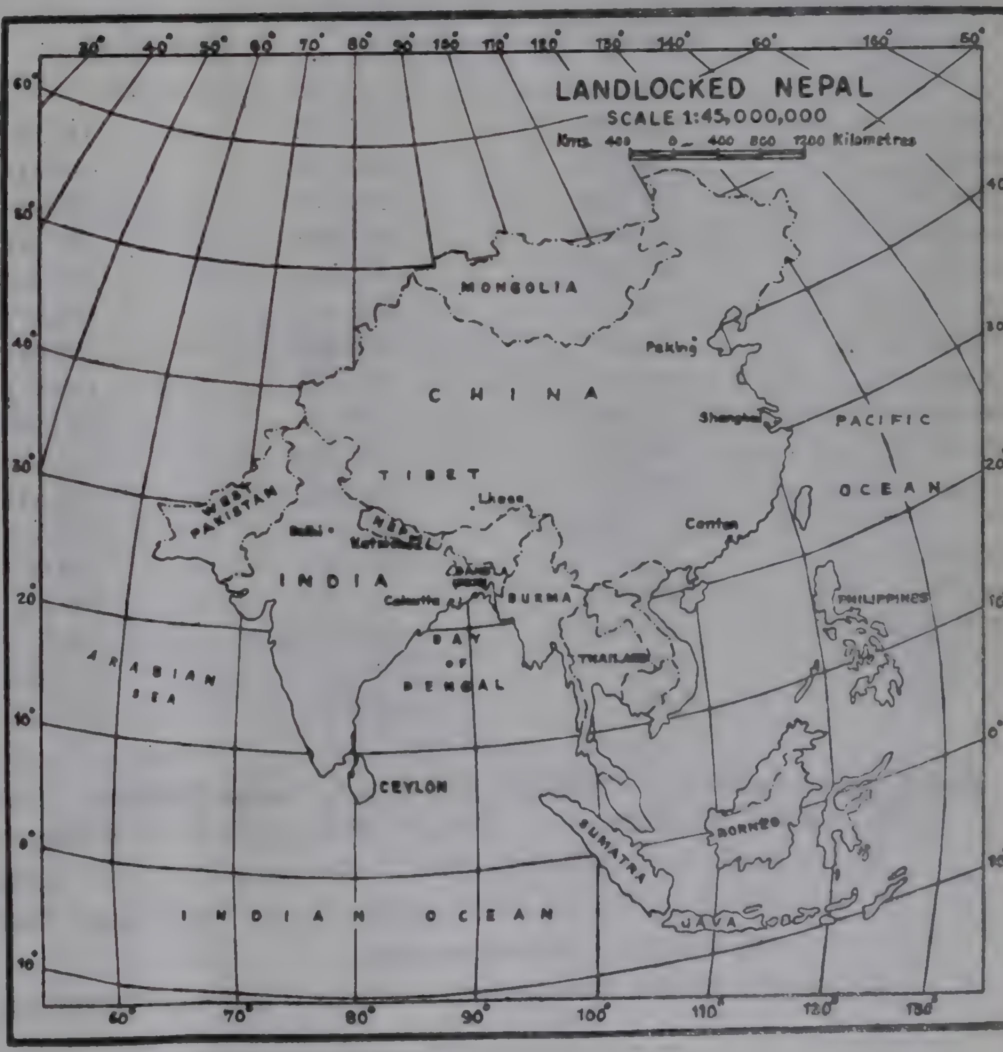


TABLE I

Nepal's Trade with India and Tibet

EXPORTS ('000 Rs)

Years	Total	To India[1]		To Tibet	
1956-57	95,772	93,436	(97.85)	2036	(2.15)
1957-58	73,307	70,489	(96.15)	2818	(3.85)
1958-59	117,934	116,692	(98.94)	1242	(1.06)
1959-60	131,740	131,296	(99.66)	444	(0.34)
1960-61	209,737	209,172	(99.73)	565	(0.37)
1961-62	265,221	263,893	(99.49)	1328	(0.51)
1962-63	287,653	286,010	(98.22)	1643	(1.78)
1963-64	291,171	284,956	(97.86)	6215	(2.14)
1964-65	440,562	435,168	(98.77)	5394	(1.23)
1965-66	375,106	370,502	(96.43)	4604	(3.57)
1966-67	626,321	420,759	(97.80)	5562	(2.20)
1967-68	392,980	390,335	(98.78)	2645	(1.22)
1968-69	572,179	569,924	(99.60)	2235	(1.40)
1969-70	489,459	485,372	(99.16)	4087	(0.84)
1970-71	400,645	395,274	(97.25)	5371	(2.75)
1974-75	836,728	701,949	(83.90)	134,779	(16.10)
1975-76	1185,777	893,691	(75.36)	292,086	(24.64)

IMPORTS

Years	Total	From India		From Tibet	
1956-57	169,891	165,832	(97.61)	1967	(2.39)
1957-58	158,356	150,341	(94.93)	301	(5.07)
1958-59	223,393	218,217	(97.68)	1349	(2.32)
1959-60	287,527	269,926	(93.78)	2829	(6.22)
1960-61	397,982	375,091	(94.24)	3760	(5.76)
1961-62	444,414	439,661[2]	(98.93)	4753	(1.07)
1962-63	604,025	598,950[2]	(99.07)	5057	(0.93)
1963-64	604,557	595,587	(98.51)	7111	(1.49)
1964-65	818,867	806,42	(98.50)	3029	(1.50)
1965-66	781,989	763,506	(97.63)	7303	(2.37)
1966-67	481,268	465,113	(96.64)	5231	(3.36)
1967-68	477,776	441,130	(92.32)	5918	(7.68)
1968-69	477,882	697,302	(93.68)	6366	(6.32)
1969-70	864,641	791,281	(91.51)	2732	(8.49)
1970-71	699,081	616,754	(88.21)	82,327	(11.79)
1974-75	1,702,677	1,367,184	(80.29)	335,493	(19.7)
1975-76	1,981,717	1,227,124	(61.92)	754,593	(38.08)

Source: A. For figures from 1956-57 to 1959-60—Agricultural Statistics of Nepal-Ed-H.M.G, Nepal, ministry of Food and Agriculture, Economic Analysis and Planning Division, Kathmandu, July, 1972.

B. For figures from 1960-61 to 1970-71—Quarterly Economic Bulletin, Mid October, 1975, Vol. X, No. 7.

C. For 1974-75 & 1975-76—Data supplied by the Nepal Rastra Bank.

1. Includes exports to overseas countries.
2. Includes imports from overseas countries (Figures in brackets indicate percentages)

mountable barrier, the strategic significance of Nepal for the security of India remains. Indeed it has increased in recent years. The emergence of China as a mighty communist power, the disappearance of Tibet as a trans-Himalayan independent buffer state and Chinese attack of India in 1962 are such developments which have disturbed the tranquility of the Himalayas and have made the northern frontier of India sensitive and alive.

Geographical location of Nepal makes India her major aid-donor. This small country receives a huge amount of aid from a number of countries and international organisations. India though herself a borrower in international market provides liberal aid to Nepal and takes keen interest in its economic development. Table II reveals that between 1950 and 1973, India has provided 45 per cent of total aid received by Nepal. Up to 1965, the USA was the major aid donor. Since 1965 India has topped the list of major aid-donors to Nepal[6].

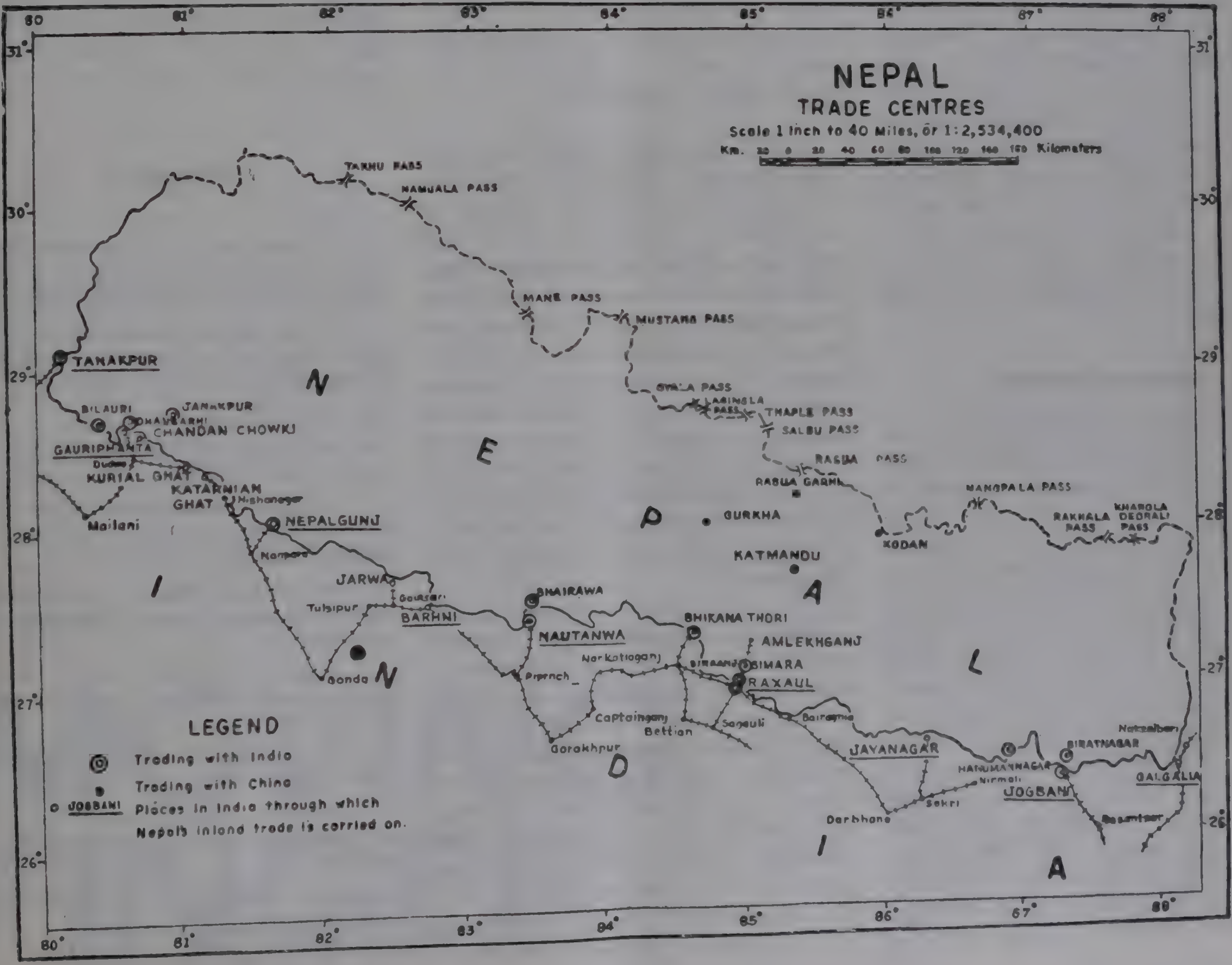
TABLE II
Foreign Aid to Nepal: 1950 to 1973
(Rupees '000)

Country	Amount	Percentage
India	1,10,99,30	45
USA	80,21,82	37
China	42,76,89	11.7
Russia	76,263	2.7
UK	6,86,28	2.3
Others	15,12,41	1.3
Total	2,64,39,23	100.00

Source: Muni, S.D.: *Nepal : An Assertive Monarchy*

Another notable impact of Nepal's geographical contiguity with India is in the sphere of employment. India provides employment to a great mass of poor, unemployed, unskilled Nepalese. Difficulty of transport and communication, interspersing rugged terrain, deep gorges, tempestuous rivers, wild and impenetrable forests, tracts of marshy lowlands notorious for the 'aul' (a highly virulent fever) have restricted migration within Nepal for the major part of the year[7]. Climate, economic compulsion and pull towards the source of their Indian culture created quite an impressive mobility of population. This mobility is vertical (north to south) and not horizontal as it is easier to descend downward south and reach India

Fig. 2



than to traverse either the high Himalayas to the north or cross the various rivers and ranges for the inland east-west journey. The result is a continuous migration of the Nepalese from all parts of the country to India. A majority of Nepalese population lives in hill areas where arable land is severely limited. Demands of a booming population have driven an ever larger number of Nepalese to India to seek jobs as the Nepalese economy offers very few opportunities. Nepal has always been said to "export her poverty" chiefly through supplying recruits for Indian army. In the hilly regions of eastern Nepal, large number of Rias and Limbus and in middle western Nepal Gurungs and Magars have found employment with the Indian and British armies.

Apart from providing an important safety valve for the surplus population of the hill areas of Nepal, the migration has been a significant source of income for its people. The British government alone pays one million pound sterling a year in pensions to 20,000 retired Gurkhas and the Indian government reportedly provides several times that amount to over 100,000 retired soldiers. One informed estimate is that there may be as many as one million Nepalese belonging to families with at least one member receiving retirement benefits from the British or Indian governments.[8]

army recruitment

In the survey of 'Banyan Hill' by an American anthropologist, John Hitchock, it was found that Nepalese hill economy was heavily reliant on funds brought by seasonal work in India and service in Indian and British armies. Nepalese boys in Indian army return with savings of thousands of rupees. Such earnings enable their families to show a surplus and to serve as sources of credit in the community. Financial difficulties of farms in villages indicate that a serious hardship would result if opportunities for work outside Nepal did not exist. If for any reason these opportunities were withdrawn, many farmers would become landless labourers.[9] Today, even highly educated and trained Nepalese who do not get suitable jobs in Nepal look for assignment in India where they are not distinguished from Indian citizens in such matters.[10]

Districts of far western Nepal such as Doti and Achham have supplied large number of workers in domestic employment as "durbans" and "chowkidars" in Culcutta, Bombay and Delhi. Some Nepalese have migrated to India to work as tea plantation labourers or cultivators in Sikkim, Darjeeling and Jalpaiguri districts of West Bengal, Lakhimpur, Darrang and Kamrup districts of Assam, and in border districts of Uttar Pradesh and Bihar.

worker migration

According to one estimate between 7,000 and 10,000 Nepali labourers from Dang, Salyan, Rolpa, Rukum, Pyuthau, Jajrakot and other districts of Nepal go to Himachal Pradesh every year for potato cultivation.[11] The workers are able to earn between Rs 5,000 to Rs 25,000 during a three-year period. These days, potato cultivation in Simla region offers greater attraction to the Nepalese than recruitment in the Indian army.

The bulk of annual migrants leave India within five years while almost all of them who remain longer than five years are life time residents. Almost all of the male migrants to India join the labour force, According to 1961 census of the 280,000 male Nepalese in India, 235,000 are workers and only 45,000 are non-workers retired, ill, unemployed or too young to work. Thus 83 per cent of the men are employed as against 57 per cent of the total male population in India. Out of the 2,18,000 Nepali-born women in India, slightly under 19,000 (30%) are employed as against 26 per cent of India's female population.[12]

However, Indo-Nepalese economic relations are not always dominated by India. India is also economically interested in Nepal. Rivers is an important aspect where India's vital economic interests are involved. A large part of eastern river system of India has its origin in Nepal e.g. Gandak, Kosi, Bagmati and their tributaries. India's desire to profit from these rivers economically and use them for irrigation and power purposes can only be fulfilled if Nepal government cooperates. These rivers determine a important aspect of the identity economic interests of the two countri India has provided substantial aid Nepal for power, irrigation and mutu benefit projects.

The economic relations between Ind and Nepal are unique because of the in portant role played by geography. Phys cal barriers in the north, lack of develo ment of industry in the hilly region ar lack of nearness of population centre mal trade with China difficult. Hence India Nepal's major trade partner. India pla an important role in the economic dev lopment of Nepal. Geographical cont guity with India makes for southwar migration of the Nepalese. Migration these Nepalese to India has been a sign ficant source of income for Nepal. Nepal location makes her for India the mo strategic defence outpost, in the Him layas. The natural barrier of India's no thern frontier lies in Nepal and geograph makes India her major aid donor.

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MOVING FINGER

That poor (not financially) Indian's Time-Newsweek, *India Today*, recently had a date with Mr Ramnath Goenka, but the assignation was consummated only to the extent that hardened old sinner would allow; the man (includes woman) is yet to be born who can put one over Mr Goenka. All the same, *India Today* did manage to peep a little into the Goenka editorial stables. Of the executive editor of *Indian Express* (with which is affiliated *Sunday Standard* and much else), what Mr Charan Singh admitted about his son-in-law of real-estate fame seems to be roughly true—he is a good boy and well-intentioned, but rather inexperienced and, of course, not qualified.

Roughly, but not precisely. For, Mr Arun Shourie is certainly as well-qualified as any racing hound to chase whatever electric hare has been set to give it a run for its deliberately distorted instincts. Take the current campaign he has been carrying on editorially on the front page of *Indian Express*, a prerogative hitherto exercised only by its chief editor (now with a very small 'c'). The demand that the L.N. Mishra murder should be re-investigated cannot be solely due to an abstract passion for justice being seen to be done in the absolute sense. If human values were the issue, why has it not occurred to Mr Tarkunde, Mr Shourie's friend, philosopher and guide, to spare some of his conscience and a little of his influence in high places to secure the re-opening of the investigation of the callous killing some time ago of the wife of a senior IAS officer of the government of Bihar, whose nude body was found dumped on the roadside? *Searchlight* of Patna played a memorable role in ensuring that the police established (or recognised) the identity of the dead woman, which had been left to remain unknown (or unpublicised) for quite some time after the discovery of her corpse and the post-mortem done on it. Indeed, the investigation might not have been carried to the stage of a trial being held at all had it not been for the crusading persistence of the then editor of *Searchlight*, the late S.K. Rau.

All this was natural material for a *cause celibre* and the trial of the husband, in its various stages, created one sensation after another in Bihar and outside, especially because of its cruel tragedy of the elder of the two sons of the dead woman going into the witness box against his father. The accused was acquitted, has gone up further in his career and is also happily remarried. But, does Mr Tarkunde imagine that this boy is satisfied that the truth about his mother's death has been truly established in a court of law? There must of course have been numerous murder investigations or trials in the country about which the secondary victims of the crimes (the kith and kin of the murdered) and often a wider public must be having their own mental reservations. But, then, the aggrieved widow of L.N. Mishra, as has become obvious now, has all along had a political potential, which has been carefully nursed by having her housed in a government bungalow in New Delhi.

Let me not be misunderstood. Irrespective of the motives of campaigners, society has equal need of the guilty not being allowed to cheat justice and the innocent not being framed. The Mishra murder trial is now in progress and even if suspicion may attach to the investigation of the case or the framing of charges because of the attendant political circumstances, it should normally be assumed that the Bihar judiciary should be able to discharge its duty in the present context in which the Rule of Law seems to have been re-established by and large. How, then, can those disciples of Mr Tarkunde among the self-proclaimed intellectuals of Delhi justify a campaign in the press so obviously directed towards exercising pressure on the state or central government to intervene in the judicial process in Bihar?

If the court finds on the evidence before it that a false case has been instituted, the accused will be acquitted. New Delhi therefore should, in propriety, defer till then its consideration of the question whether sufficient material exists for the murder to be investigated *de novo*. It is true that Mr Tarkunde was authorised to examine official records for establishing a need for re-investigation, but this only makes the conduct of the Tarkunde establishment all the more suspect since it seems to be acting on the fear that Mr Desai cannot be trusted to make up his mind on the Tarkunde finding without benefit of public prodding by Mr Arun Sherlock Holmes Shourie of *Indian Express* based on Bakershah Marg.

Not that Mr Shourie cannot claim that he is no mean sleuth. Indeed, apart from the fact that there could be different kinds of meanness (including the sort which finds nothing wrong in manic assaults on judges and civil servants whose thinking may not suit one's purpose), it has to be conceded that Mr Shourie could do a Perry Mason as easily and expertly as a Woodward-Bernstein act. For instance, he has detected that Mr Yashpal Kapoor believes that "blatant" must really be spelt "balatant" and has recorded this momentous discovery in the same issue of *Indian Express* in which its sub-editors and proof-readers have in more than one place shown the same facile relationship as Mr Kapoor with English as it is spelt. Mr Shourie has also accomplished the detective feat of proving that the JP movement had nothing to do with the Mishra murder—Gandhiji, we may recall, was considered crazy by many when he called off a *satyagraha* campaign because of Chaura Chauri, but that would be taxing Mr Shourie's remembrance of things past. After all, too much must not be expected of a puppy still wet behind its ears.

VB

Naive concept, confused thinking

Towards Total Revolution (4 volumes): (1) **Search for an Ideology** (Pp 307); (2) **Politics in India** (Pp 268); (3) **India and Her Problems** (Pp 193); (4) **Total Revolution** (Pp 226): Jayaprakash Narayan; Popular Prakashan, Bombay; Price per set of four volumes Rs 250.

Indian Economy in Soviet Perspective: O.P. Kotwal: Sterling Publishers Pvt Ltd, New Delhi; Pp 158; Price Rs 40.

Enterprise and Society: Vinayashil Gautam; Concept Publishing Company, Delhi; Pp 118; Price Rs 35.

Reviewed by **Academicus**

JAYAPRAKASH NARAYAN is considered as one of the great leaders of modern India, who by his ideology, love for the masses, attachment to democracy and individual freedom and his utter disregard for power or any office, has left his deep impress on the recent history of the country. It would have been a great contribution to Indian political literature, if Jayaprakash Narayan himself were to write a coherent and detailed account of the evolution of his thoughts and the stand he took from time to time on various national issues vis-a-vis Gandhiji, Jawaharlal Nehru, Subhash Chandra Bose and other contemporary leaders. But possibly his temperament and failing health did not petmit this and one is therefore thankful to Brahmanand, his private secretary for long, to have edited *Towards Total Revolution* and made an effort to present a picture of the evolution of the ideology and personality of Jayaprakash Narayan by collecting and publishing various articles and speeches that Jayaprakash wrote or made from time to time over a long period of time.

search for a model

In the first volume entitled 'Search for an Ideology', we get an idea of the relentless search which went on in the mind of Jayaprakash Narayan for a model that can serve as a basis for a new social system based upon individual freedom and equality which had become the cornerstone and beacon-light of his life. It is this search for such a model that has moulded his life and thought-process and all his efforts from the beginning of his intellectual and political career to the present day.

At the beginning Jayaprakash Narayan was attracted by revolutionary Marxism as a source of freedom and equality and also as a quick and effective method of rebuilding society. He came to prefer Marxism to Gandhiji's method of civil disobedience and non-violent struggle as a more satisfactory method of solving the country's political and economic problems. It is not surprising that like many young but immature intellectuals of the 1930s, Jayaprakash Narayan fell under the influence of the new and enticing ideology of Marxism. But when subsequently he saw Marxism translated into Stalinist dictatorship and glorification of the state with total suppression of individual freedom, he completely rejected Marxism as a basis of new social order which he had in view.

BOOKS BRIEFLY

From Marxism, Jayaprakashji changed over to democratic socialism. He offered his cooperation to Jawaharlal Nehru on the basis of 14 points which included items like decentralisation of power, measures against corruption in administration, industrial democracy, encouragement to small-scale industries and so on. Nehru wanted Jayaprakash Narayan's cooperation but he was not prepared for the complete acceptance of the programme suggested by the latter. It was most unfortunate that there was as a consequence parting of the ways of the two great leaders who jointly could have more effectively moulded the future course of history and the destiny of the nation.

During the next evolutionary phase of his thought, Jayaprakash thought that i is possible to reconcile democratic socialism and Gandhism. But seeing how the socialist movement in western Europe had got enmeshed in constitutionalism and had proved largely ineffective as an instrument of social reconstruction, he moved away from democratic socialism to non-party Sarvodaya and gramdan movement with its insistence on purity of ends as well as of means.

Sarvodaya movement

After working in the Sarvodaya and gramdan movement for about 20 years, Jayaprakash Narayan came to realise the limitations of that movement also. The main defect that he found characterising Sarvodaya movement was the absence of struggle in the movement, with the consequence that ideals like village-self-government land-gift movement and constructive work only remained on paper without producing any worthwhile impact on the lives of mass of rural people. This finally brought him to the concept of 'total revolution' which is supposed to bring about radical changes in every aspect of social, political and cultural life of the people in the country. This is the broad picture one gets from the articles of Jayaprakash Narayan in volume one.

The second volume entitled 'Politics in India' contains articles and speeches of Jayaprakash Narayan on various political developments in India. It is evident from these writings that there were two factions in the Indian National Congress. The old guards of the Congress veered round to the acceptance of office and constitutionalism which culminated in the acceptance of office by the Congress in 1937. There was another group in the Congress made up of younger generation wedded to an uncompromising struggle against the alien rule and for complete freedom of the country. Jayaprakash Narayan belonged to the latter group which tried to enlist the support of the peasantry and working class, both for the liberation of the country and for building up of a new social order. As predicted by Jayaprakash Narayan, in the case of Congress party power became the end and in its turn brought corruption, individual rivalries and various other evils that accompany constitutionalism and addiction to power. Jayaprakash Narayan warned as long ago as 1946 against corruption resulting from the system of licensing and rationing and that Congressmen were getting more and more involved in that vicious game. He also suggested stern measures to fight the evils. But Jawaharlal Nehru who could have taken effective measures hardly paid any attention to the growing prevalence of those evils. One way out was the unity among the leftist parties which Jayaprakash Narayan tried but failed to achieve due mainly to the intransigent attitude of some ultra-radical parties.

lacking in continuity

This is the gist one gathers from 30 articles included in the second volume. Often the articles are not logically arranged and one hardly gets the sense of continuity while reading this volume.

In the third volume entitled 'India and Her Problems', Jayaprakash Narayan has made an attempt to analyse some specific problems India has been facing. He has tried to deal with problems of labour, student indiscipline, economic problems before India and role of the Communist party. He was very critical that the INTUC established by the Congress party was being exploited for political purposes; but he was disappointed to see that the Hind Mazdoor Sabha established by the Socialist party in 1949 came to be similarly exploited to gain political ends of the party. His speeches before the universities are critical of increasing student indiscipline which was the only reflection of what was taking place in society at large. As regards economic planning he is critical of the priorities and policies of the Congress government which only resulted in slow economic growth, increasing poverty and unemployment. According to him, various land reforms enacted failed because the landlord lobby was not sincere in passing and implementing those reforms and with the help of bureaucracy, the landlords saw that the reforms remained only on paper. Gandhiji's teachings and ideas emphasising swadeshi movement, village and cottage industries, village self-sufficiency and welfare of the weaker sections of society were either forgotten or received only lip-sympathy. Had it not been so, according to Jayaprakash Narayan, the picture of India would have been totally different from what it is at present after 30 years of independence.

eternal vigilance

In the fourth and last volume entitled 'Total Revolution', Jayaprakash Narayan has pleaded that unless people are always on their alert and established local committees in every village to keep a watch on the role played by their elected representatives, their various problems will not be solved by the government which by its inherent nature will tend to misuse power for factional and personal aggrandisement.

According to him, ultimate solution to all problems before India is the 'Total Revolution'. Total revolution is not a dogma nor is it violent and sudden change in the individual and society. Total revolution is essentially people's movement aiming at total transformation of every aspect of an individual's life—economic, political, cultural and social. Unless this fundamental change in man in all his aspects of life is brought about, transformation of Indian society into a society where individual freedom, equality and brotherhood prevail would be an impossibility.

What is the impression the reader is left with after reading about 1000 pages of these four volumes? The dominant impression is that Jayaprakash Narayan is a sensitive soul perpetually obsessed with the various Indian problems and especially the problem of mass poverty. He is a nationalist to the core and with transparent sincerity. The difference between him and other ideologists like Marx and Gandhiji however is that he shifts his position or at any rate emphasis from one idea or programme to other with the consequence that no permanent or lasting impress is left of whatever ideology he happens to preach at any particular time. With all the limitations, Jawaharlal Nehru gave a definite direction to India's polity and economy and has laid fairly sound foundations of India's economic progress. Nothing of that sort may be said to have happened in the case of Jayaprakash Narayan in any field of his multifarious activities. Revolution like charity should begin at home. And what do we find in his home state of Bihar? It has been a state ridden with communal and political factionalism of the worst type and where administration is most inefficient and corrupt. The case of Bihar jails where thousands were left rotting without trial for years for petty offences is a case in point. His programme consisting of items like agitation for the dissolution of legally constituted legislative assembly of Bihar, proposal for closing of all schools and colleges for one year, appeal to police and army not to obey so-called unconstitutional or illegal orders were all fraught with dangers and are now rebouncing against the Janata government.

JP's responsibility

The responsibility in all this respect must fall to some extent on Jayaprakash Narayan. One gets the impression that if Jayaprakash Narayan were to join hands with Jawaharlal Nehru when the hand of cooperation was offered by the latter and fought for his objectives from within, possibly he would have been in a position to make better contribution. Every constructive administrator has to compromise and as Bismarck said has to be somewhat of a butcher, if he wants to achieve any worthwhile results. One wonders whether Jayaprakash Nararyan can be said to have left any permanent impress on the course of India's history, except possibly toppling the Congress government at the centre and in many of the states.

But precisely by doing that he has got the Janata party enmeshed in constitutionalism which he was avoiding so far. The consequence is that all the evils of which Congress government was accused of by Jayaprakash Narayan have made their appearance in the most virulent form and the country is left drifting with no clear vision and without any direction.

The greatest failure of Jayaprakash Narayan has been that with vast popularity that he enjoyed next only to that of Gandhiji and Jawaharlal Nehru and his appeal and large following among the youth of the country who admired his courage and sincerity, he failed miserably both ideologically and organisationally to wield the leftist forces together to build a truly secular, democratic and socialist republic in India. His was the most towering personality among the socialist leaders with the necessary potential to realise that ideal. What we find instead at present is a conglomeration of rightist, centralist, leftist and opportunists who have been held together prcariously not by any common ideology but by common hatred for the lady and lust for power.

jumble of ideas

The four volumes contain hundreds of articles and speeches of Jayaprakash Narayan and to the reader they appear as a sort of jumble of ideas often without any connecting link. Inevitably there are often tedious repetitions. The only connecting link is provided by Brahmanand, the private secretary of Jayaprakash Narayan who has written a long foreword running into more than 130 pages. This man seems to know more about the working of the mind and ideas of Jayaprakash Narayan than Jayaprakash himself. It appears to be a case of tail wagging the head. This man's hatred for Jawaharlal Nehru who is accused of every possible evil motives and failures comes as a surprise to the readers who wonder how Jayaprakash Narayan allowed such writing to be incorporated in these volumes. It is ironic that even many years' close contact with Jayaprakash could do nothing to remove the venom and hatred harboured by his own private secretary and cleanse his mind.

And as regards 'Total Revolution', no one really knows the context of this concept. This is obvious from the fact that towards the end of the fourth volume (page 197) Brahmanand asks Jayaprakash: "There has been some confusion about the concept of 'Total Revolution'. Will you kindly explain what do you mean by a 'Total Revolution'?"

And Jayaprakash answers: "I think I have used the word 'Total' in the sense of a comprehensive revolution affecting all aspects of social life including individual life... I think the specific nature of a total revolution at any particular time would be governed or determined by the needs of the time, the situation that obtains in the country and the forces that were contending for power. So at different times a total revolution might take different forms, even different meanings in the sense that its contents might also be different." When even the private secretary of Jayaprakash Narayan does not seem to fully comprehend the meaning of 'total revolution', no wonder the common man in India got confused over the idea a and consequently became totally indifferent to it. One is reminded of the early utopian socialist thinkers, of their naive belief in the perfectability of human nature and inevitable collapse of all their grandiose plans of social reconstruction of society.

It does not come as a surprise that nobody from the Janata party speaks of the 'total revolution' since they assumed office in March 1977.

AS OTHERS SEE US

Often it is instructive to know how experts from other countries view our development because they are capable of a certain amount of objectivity of which we insiders are not, completely submerged and identified as we are with our environment, problems and policies. Naturally, it would be instructive to know how Soviet economists view developments taking place in India. It is possible that we may learn a thing or two from such studies. *Indian Economy In Soviet Perspective* is one such study. Since the death of Stalin in 1953, there was a distinct shift in internal and external policies of the Soviet government. From India's point of view one significant change in Soviet policy was the beginning of economic cooperation between India and the Soviet Union. Among others, one consequence of this growing economic and cultural relationship between the two has been the increasing amount of attention which is being given by Soviet scholars to the study of Indian economy, history, society and culture which have become an area of great interest for a large number of reputed Soviet scholars. Dr Kotwal was in the USSR from 1970 to 1973 and had occasion to undertake a fairly comprehensive review of Soviet research on various Indian problems, especially economic. This book contains his findings of that study.

There is general belief among economists and intellectuals consciously inculcated by economists from capitalist countries that "there is no such thing as scientific economics in the Soviet Union". But the author has rightly pointed out that this is only partly true. There is no social scientist without a bias and as Malthus said long ago every man's attitude and opinions are deeply influenced by his status and environment. If the Soviet economists view and analyse economic developments from the Marxist angle and with the conviction that socialism is not only the best social system but is also an inevitable one, non-Marxian economists consider capitalism as the best of all possible worlds. Who can say that Milton Friedman and Harry Johnson had no bias of their own while interpreting economic phenomena? So why blame Soviet economists alone?

According to Soviet economists, the main cause of India's social and economic backwardness is the 'multi-structural pattern' of the Indian economy. They look at and interpret Indian economy in terms of 'structures'. The multiplicity of structures, according to them is due to incomplete replacement of pre-capitalist system of production by capitalist system.

primitive economy

For example, there is as yet in India the stage of 'primitive capital accumulation' based on usury, merchant capital exploitation and various means of non-economic coercion on the one hand, and pure capitalist accumulation based on the generation and appropriation of surplus value on the other. While the capitalist accumulation requires elimination of pre-capitalist structures, the latter are strongly resisting their being brought within the ambit of capitalist structure. This contradiction, according to Soviet economist, constitutes a major factor in India's slow social and economic progress.

According to the Soviet economists, though the long British rule in India was responsible for continuance of multistructural nature of the Indian economy, there were also a large number of social, institutional, political and economic factors during the pre-British period which were highly growth-inhibiting. The British rulers made no vigorous efforts to undermine these growth-inhibiting factors but on the contrary preserved most of them as that suited their interests. The old system or some part of it has been gradually disintegrating since independence giving place to intermediate structures.

The solution to the problem of poverty, according to Soviet economists, lies in substantive reform of feudal land relations combined with vigorous process of industrialisation.

From the survey of Soviet literature on India, two or three aspects stand out prominently. First, Soviet experts appear to examine every problem in its historical as well as existing socio-economic context. This makes their analysis less abstract. Second, with all the inhibiting factors, they are not pessimistic about growth prospects of developing countries like India.

certain gaps

But one also notices certain gaps in Soviet studies of Indian economic problems. Going through the vast bibliography one hardly finds Soviet experts paying any attention to problems of population growth, urbanisation, unemployment, educated manpower and technology, agricultural strategy, national income and its distribution and poverty.

One unfortunate and disappointing thing is that though much work is being done on India's socio-economic and political problems in the Soviet Union, there is as yet no permanent institutional arrangement to get even the important Soviet works on India translated or surveyed by competent Indian scholars,

We may not accept all that the Soviet experts say. For example, multilateral structures characterise even developed economies at present. What ails India is the predominance as yet of feudal attitudes and institutions in most of the spheres and the very small extent of modernisation, irrespective of whether that is under capitalist or socialist ideological garb. But certainly what needs to be done is to cast off some of our great subjectivity from which Indian mentality suffers and make an effort to understand how others view our development and learn from their objectivity, in spite of some of the bias from which their analysis is bound to suffer. O.P. Kotwal deserves our compliments for drawing our attention to the vast amount of research on various Indian problems that is being undertaken by Soviet experts. One would also like to know how many of our experts and institutions are studying developments in neighbouring countries such as Pakistan, Bangladesh and China which are bound to influence the future course of Indian history.

ENTREPRENEURAL GROWTH

While studying problems of India's economic development at the University of Sussex in the UK, Vinayashil Gautam, the author of *Enterprise and Society* observed "research gaps in the study of growth in general and entrepreneural growth in particular . . ." The author observed that not enough data was available and there was little information available on several aspects of entrepreneurship and management in India. For example : what was the pattern of entrepreneural growth in India over centuries in a connected sequence ? What has been the nature of industrial entrepreneurship in contemporary India ? What were the traditional managerial styles of the country and how far did they adopt the managerial practices of developed countries ? What was the approach of the state to entrepreneurs in small and medium sector undertakings ? What has been the pattern of enterprises in non-industrial sectors ? What role did technology play in all this ? What was the attitude of entrepreneurs towards changes in management and technology?

Since the emergence of management or entrepreneurship has played a pivotal role in the economic history of man and Schumpeter's thesis regarding the role of entrepreneurs is still valid in developing countries such as India, it would be instructive to know the conclusions at which the author has arrived as a result of his research on the subject.

According to the author, dimensions of entrepreneurship are many. Indian entrepreneurship emerges in various garbs. "Everyone from Birlas to the scooter repair shed proprietorship can be an entrepreneur". Self-employment can be as an agriculturist or it can be as an industrialist. Managerial styles in each case are different and so are the managerial issues. So the author feels that "To lay down general norms for an entrepreneural venture is therefore a difficult probably impossible, exercise."

family businesses

The author has observed that there are, in India certain communities who have for long nurtured and flourished on their entrepreneural ability. Equally there are communities which have failed miserably trying their hand at enterprise. Finding satisfactory answer to this type of development is, according to the author, not easy.

The author has also observed that "the Indian entrepreneur in the last several centuries has shown remarkable capacity to weather adversities and has shown innovativeness and enterprise in more styles than one". After studying entrepreneural developments in places like Bhojpur, Agra and Purulia, the author has come to the important conclusion that "much of entrepreneural ability and possibility is location and culture specific . . . Global tools of entrepreneural motivation do not have universal motivation.". The problems of setting up of an enterprise, recruitment, personnel, finance and marketing all have inevitably local overtones in a vast country like India. The author has given many instances from different parts of India to prove this point. He has also observed that "a highly exploitative situation existed in most of the entrepreneural sectors and in many cases the artisan, the industrial worker or the rural labour was a victim of substantially superior social configurations and resource potential." He also observed that an aspiring entrepreneur unless supported by the correct class background had a slim chance of success.

The author has emphasised that various entrepreneural sectors do not form water-tight categories but play mutually supportive and integrative roles. At the state policy level, the author feels that there seems to be little awareness of this mutually organic relationship among different entrepreneural sectors. According to him, "unless this wholistic approach emerges there seems to be little prospect of achieving any significant breakthrough for social change and economic growth." He has opined that apart from encouraging risk-taking with possible rewards in the shape of profit maximisation, organisational and social climate must be created in the country that would effectively generate a new class of entrepreneurs. Heritage variable is a strength but it should not be allowed to inhibit creativity.

self employment

Also for economic growth self-employment will have to be reinforced in an integrated way. Selective entreprenership with adequate financial infrastructure support and skill impartation will have to be one of the main aims. It would not be enough just to generate entrepreneurship but it is equally essential to support it institutionally.

Historically among all the factors responsible for the ever-present poverty in India in spite of its vast natural and human resources, the absence of organisational and innovative ability has been the most important. The whole Indian culture and value-system appear to discourage entrepreneurship, risk-taking and innovations. Schumpeter's emphasis on role of entrepreneurship in economic development of a country still appears to be valid for a country like India. The problem is that of creating suitable socio-political and cultural environment (without sacrificing basic cultural values which are valid for all times) that would encourage emergence of entrepreneurship among all sectors of the economy. Things are better in this respect compared to what they were prior to independence; but development in this sphere is not fast enough and commensurate with the potential resources of the country. While the state will be called upon to play an increasing role in all sectors of the economy, increasing bureaucratic roles with their rules and regulations must not pose a new threat discouraging entrepreneurship that has been gradually making its appearance on the economic horizon of India. Many more sectorwise detailed studies on entrepreneurship in India of this type would be welcome.

Books Received

The Law of Central Excises : V.J. Taraporevala and S.N. Parikh; N.M. Tripathi Private Ltd, Publishers and Booksellers, 164, Samaldas Gandhi Marg, Bombay-2; Pp 544; Price Rs 80.

Business Law in India: Surajit Sengupta; Oxford University Press, Faraday House, Calcutta 700013; Pp 872; Price Rs 47.50.

Industrial Democracy in Public Enterprises in India : Dr K. L. Gupta; Navman Prakashan, Madar Gate, Aligarh-202001: Pp 220; Price Rs 35.

Consumer Purchases of Textiles : Textiles Committee, Ministry of Commerce, government of India, 406, Kakad Chambers, 132, Dr Annie Besant Road, Worli, Bombay 400028; Pp 477; Price Rs 85.

Cultural Leaders of India—Ramayana, Mahabharata and Bhagvata Writers : Publications Division, government of India, New Delhi; Pp 134; Price Rs 7.

Cultural Leaders of India—Philosophers and Religious Leaders : Publications Division, government of India, New Delhi; Pp 90; Price Rs 7.

Cultural Leaders of India—Devotional Poets and Mystics : Publications Division, government of India, New Delhi; Part I Pp 134, Part II Pp 140; Price Rs 7 each.

History of the Indian Cotton Textile Industry : V.B. Kulkarni; The Millowners Association, Elphinstone Building, 10 Veer Nariman Road, Post Box No 95, Bombay-400001; Pp 400; Price Rs 100.

Ends and Means of Cooperative Development ; S.S. Puri; National Cooperative Union of India, 3, Siri Institutional Area, Panchshila Marg, New Delhi 110016; Pp 280; Price Rs 60.

Things of Beauty—A Look at Our Heritage : Vidya Dehejia; Publications Division, Ministry of I & B, New Delhi; Pp 63; Price Rs 12.50.

Cultural Leaders of India—Seers and Thinkers : Publications Division, Ministry of I & B, New Delhi; Pp 94; Price Rs 7.

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TRADE WINDS

Assistance from Sweden

An agreement on development cooperation providing Swedish aid of Rs 110.69 crores (S kr 580 million) to India for 1979-80 and 1980-81 was signed recently. Mr S.O. Doos, head of Development Cooperation, Royal Swedish Embassy in New Delhi and Mr A.G. Asrani, joint secretary in the ministry of Finance, department of Economic Affairs, government of India signed the agreement on behalf of their respective governments.

Out of the total assistance agreed to. an amount of Rs 55.34 crores (S kr 290 million) has been made available for the year 1979-80. Against this, an amount of Rs 20.04 crores (S kr 105 million) will be available for general imports. This portion of the aid is untied and can be used for financing imports from any part of the world.

A provision of Rs 19.08 crores (S kr 100 million) has been made in the agreement to finance imports of goods and services from Sweden. As in the past, this amount will be used for import of bulk commodities and capital goods and services from Sweden. The agreement also provides for programme and project support to the extent of Rs 16.2 crores (S kr 85 million). This will be used for the implementation of several programmes and projects in the fields of health and family welfare, forestry, fisheries, water resources development, non-formal education, etc. The development assistance from Sweden is a grant. Sweden's aid assistance to India this year is more than Rs 3.8 crores (S kr 20 million) over last year's.

Foreign Remittances

Gross non-trade inward remittances, through bank channels, in the month of March, 1979 have touched a record figure of Rs 323.19 crores. Such remittances in the previous four months were only Rs 174.13 crores, Rs 149.41 crores, Rs 206.50 crores and Rs 171.96 crores. The figure of Rs 323.19 crores as foreign remittances far exceeds the remittances in any month in the past, including the period of emergency.

Such a high level of foreign remittances has come in the wake of some concern expressed in certain quarters about India's ability to keep up a high level of foreign exchange reserves, especially in the context of the adverse balance of trade position. A fear had been expressed that this might be followed by a drop in the foreign remittances also. This apprehension has now been belied. Finance ministry officials attribute the upswing in the foreign remittances primarily to the growing confidence in the Indian economy and the strength of the Indian rupee. The effectiveness of the intensified anti-smuggling measures has also contributed to more and more people from abroad preferring to send money through legal channels, instead of resorting to smuggling of high valued goods into India.

Lube Re-refining Units

The government has introduced a scheme of voluntary registration of lube re-refining units with the ministry of Petroleum, Chemicals and Fertilisers to ensure that used lubricants are re-refined on scientific lines and the end products conform to desired standards of quality.

The scheme has been finalised after detailed consultation wih the ministry of Industry, the Directorate General of Technical Development, Development Commissioner (small-scale industries), Indian Standards Institute, oil companies, Indian Institute of Petroleum, Research and Development, Centre of Indian Oil Corporation and the Petroleum Refiner's Association.

In the first phase, the scheme would cover re-refining of automotive internal combustion engine lubricating oils which account for the major proportion of total lube oils consumed in the country. Re-refining of used transformer, hydraulic and other industrial and secondary oils would be considered for inclusion under the scheme at a later date.

Measures are separately proposed to be taken to ensure that the bulk of used automotive lube oil is made available for re-refining to only those which are registered with the department of Petroleum.

It is also intended that registered units would be automatically entitled to a carry on business (COB) licence in the event the Industries (Development and Regulation) Act is applied to them.

All existing re-refining units, whether captive or commercial, can submit their applications for registration on a prescribed form available in the Indian Institute of Petroleum, New Delhi, to the department of Petroleum through the Director of Industries of the state or union territory in which they may are located. The registration process would be completed within 120 days of the date of receipt of application.

A technical committee will scrutinise the applications to determine eligibility of the concerned unit. This will be followed by physical inspection of the facilities and technical know-how available with the unit for quality re-refining of automotive engine oils.

The units will be required to obtain ISI certification to registration. Indian Standard Institute has already formulated a separate set of specification covering the re-refining of automotive internal combustion engine lubricating oils.

IDA Aid for Rural Electrification

The International Development Association (IDA), the World Bank's affiliate for concessionary lending, has announced a $175 million credit for a rural electrification project in this country.

The credit will support the overall lending programme of Rural Electrification Corporation (REC). It will help finance about 1,700 rural electrification schemes of the state electricity boards in 14 states. The credit will also be used to assist REC in carrying out two pilot schemes—a single phase scheme in Rajasthan and a power factor control scheme in Karnataka.

The draft plan (1978-79—1982-83) emphasises the importance of providing for the basic needs of people in low-income groups. This project is expected to benefit approximately 2.5 million households in 15,000 villages. In addition, about 500,000 pumps, will be electrified. The government is providing $113 million equivalent in loans. The Agricultural Refinance and Development Corporation will provide $56 million, and other domestic financial institutions will make $56 million.

The IDA credit will be for 50 years, including 10 years of grace. There is no interest charge, but $\frac{3}{4}$ of one per cent per year will be charged to cover administrative expenses.

The Rural Electrification Corporation (REC) has sanctioned another loan assistance of Rs 8.80 crores to electrify over 1,200 new villages and hamlets in nine states. These include Andhra Pradesh, Bihar, Gujarat, Himachal Pradesh, Jammu and Kashmir, Kerala, Madhya Pradesh, Maharashtra and Tripura. Together the new schemes will help to energise about 6,300 irrigation pumpsets and tubewells and more than 1,100 small-scale industries in rural areas. A special feature of the new programme is that most of these projects are intended for the development of backward areas.

Loans for Cooperatives

A major slice of the new sanctions goes to Gujarat which will receive over Rs 4.40 crores as loan assistance from the corporation for eight schemes to extend electricity to more than 780 villages. Madhya Pradesh will receive a loan assistance of over rupees two crores for a special project under which electricity will be distributed on a cooperative basis in 216 villages in Dhar district. This will be the third rural electric cooperative to be sanctioned for the state. With this, the total number of schemes so far approved by the corporation has increased to about 2,750 for which an aggregate loan assistance of over Rs 1,030 crores will be given. Under these schemes the number of irrigation tubewells and pumpsets to be ultimately energised exceeds 11.50 lakhs and small scale industries to be provided power will be more than 1.58 lakhs. The corporation has already disbursed more than Rs 675 crores for these projects.

Air-India for Delhi-Bombay Route

The minister for Tourism and Civil Aviation, Mr Purushottam Kaushik held discussions with the managing directors of Air-India and Indian Airlines to consider measures to overcome the difficulty faced by Indian Airlines particularly due to the recent loss of two Boeing 737 aircraft. As a result of the discussions, it has been decided that Air-India will operate two Boeing 747 services a week for Indian Airlines between Delhi and Bombay from May 21, 1979. Air-India will increase this service to five times a week from August 1, 1979. It is expected that this would considerably ease the situation and enable Indian Airlines to divert its Airbus or Boeing 737 presently operating between Delhi and Bombay to other routes. The minister has also advised Indian Airlines to make all efforts to augment capacity, on short-term basis by taking on lease Boeing 737 aircraft or even Boeing 727 aircraft on wet lease. Similarly, Air-India has been asked to take on lease Boeing 707 aircraft in order to spare capacity for Indian Airlines. It is hoped that this new arrangement, which has been agreed to between the two airlines, will greatly help to reduce the traffic congestion now being faced by Indian Airlines.

Central Excise Collectorate

The government of India has set up a third Central Excise Collectorate in Uttar Pradesh with headquarters at Meerut with effect from June 1, 1979. This has been done with a view to bringing about better administration of central excise laws as well as better control and greater convenience to assessees. This collectorate will comprise important industrial districts of northern and western Uttar Pradesh. There are at present two central excise collectorate in Uttar Pradesh, having their headquarters at Allahabad and Kanpur respectively.

Oil Exploration in Tripura

The Oil and Natural Gas Commission (ONGC) has formulated a "rolling plan", for conducing oil and natural gas exploration in Tripura during the next five years. Drilling operation in two new structures at Rokiya and Tulamura in south Tripura will be started soon. Spudding operation is now in full swing at Baramura and Gojalia structures and a sophisticated imported rig is in operation at Gojalia. Another is being erected at Rokiya structure bringing the total number of imported rigs to four in the state. Meanwhile the sources said, the ONGC has so far built 45 villages and forest roads at a cost of Rs 65 lakh for its use since it started operation in Tripura in 1970.

Largest Cement Plant

The Kujrahat Chunar Cement project, being set up by the UP State Cement Corporation, is the biggest cement plant in India. In fact, its production of 5,000 tonnes of cement per day, will be the highest as compared to any cement plant in Asia, with the exception of Japan. Another important feature of the project is that, for the first time, a large amount of slag from the Bokaro steel plant will be used for manufacturing cement. Because of the magnitude of the plant, the co-ordination of operation of the various production sections is essential. Moreover, a high degree of accuracy in measurement, control, interlocking and supervision of various process parameters is necessary. This requires a high level of automation which is being done for the first time in a cement plant in India. The engineering, supply, erection and commissioning of the instrumentation and electricals for this plant, have been entrusted to Siemens. The estimated cost of the total project will be Rs 80 crores and it is expected to be commissioned by October 1979.

Production of Railway Coaches

For the Integral Coach Factory (ICF) at Perambur (near Madras), the year 1978-79 has been a year of unprecedented production and record exports. ICF achieved an all time record out-turn of 752 coaches and electrical multiple units during 1978-79 against the target of 750. The value of the out-turn during the year is estimated at Rs 45.11 crores as against the turnover of Rs 38.44 crores during the preceding year.

During the year, three export orders to Philippines, Uganda and Taiwan of a record value of Rs 6.5 crores have been completed. In 1979-80 production is targetted at 710 coaches, which includes 50 coaches to Vietnam for export, besides more EMU formations, double deckers, more air-conditioned coaches, padded cushion sleepers, etc, for domestic use. The ICF is observing the year 1979-80 as 'ICF Quality Year' to achieve further improvement in quality, reduce rejections and achieve 'zero defect'.

Catalogues for Export Goods

The Trade Development Authority has undertaken a programme to produce illustrated catalogues on 20 different products which hold very good export potential. The programme is being implemented with assistance from the Commonwealth Secretariat, London, and government of India. The catalogues are being produced on a national level for the first time. Recent market surveys have revealed that lack of publicity of Indian products through illustrated catalogues is one of the weak points in India's export endeavour. Individual exporter's product catalogues in many cases do not exist and wherever they exist, they are not of acceptable quality. The catalogues will be brought out in English, French, Spanish, German, Arabic and Japanese languages. Each firm will pay a token participation fee but the major cost will be met with assistance from government and Commonwealth Secretariat.

The products to be covered in the catalogues are: electronic equipment and components, automobile ancillaries, bicycle and components, industrial fasteners, small and hand tools, machine tools, forgings and castings, leather goods and garments, wooden furniture, textiles, marine products, gem jewellery and imitation jewellery, handicrafts, sports goods, processed fruits, juices and vegetables, builders' hardware, chemicals and allied products, plastic products, agricultural equipment and heavy machinery. The catalogues will be designed by a foreign consultant to be appointed by the Commonwealth Secretariat. In the first phase of the programme the catalogues are to be brought out on electronic equipment and components

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and automobile ancillaries. All leading manufacturers and exporters in these two product groups have been extended invitation for participation.

Vegetables for West Asia

Fresh vegetables for export to the Gulf countries would be grown in about 15,000 hectares in Thane, Kolaba and Pune districts, under a pilot project launched by the Maharashtra government. The state chief minister, Mr Sharad Pawar, told newsmen recently before his departure to the middle-east and Gulf countries on a 10-day visit that the vegetables grown according to certain specifications, would initially fetch rupees five to six crores per annum in foreign exchange. He said the vegetables would be brought to Bombay in refrigerated vans and exported by air. The state's export promotion corporation would act as the government agent.

Maharashtra State Textile Corporation

All the six mills—five composite and one spinning mill—of the Maharashtra State Textile Corporation (MSTC) have shown improved performance in 1978-79. While out of the total six mills four were in the red last year, during 1978-79 all the six units will be in profit. The provisional working results for the year ending March 1979 show that gross profit aggregated to Rs 5.28 crores and net profit to Rs 2.79 crores compared to gross profit of Rs 2.25 crores and net loss of Rs 20 lakhs last year.

The sales rose by 14 per cent to Rs 36 crores and exports totalled Rs 2.74 crores of which direct exports by the MSTC was more than one crore rupees as against just Rs 80 lakhs last year. The MSTC has now been recognised as an export house by the Commerce ministry. The factors that contributed to this improved performance were favourable market conditions, increased sales of cloth and yarn, remunerative cotton prices, improved efficiency at all levels, judicious management of resources, lowering of overhead expenses and cordial management-labour relations. During the year 1979-80 the corporation expects to achieve a sales target of Rs 40 crores if supply situation of critical inputs like coal, power etc remains satisfactory and demand for cotton textile continues to remain good.

Record Tourist Traffic

International tourist arrivals in India during the previous calendar year registered an increase of 16.8 per cent over the year 1977. Last year 747,995 international tourists (excluding nationals of Pakistan and Bangladesh) visited India as compared to 640,422 in 1977 registering an increase of 107,573 tourists. The year started with an increase of 14 per cent in tourist arrivals during January followed by successive increases of 20.1 per cent. and 16.5 per cent during February and March respectively.

The first quarter January to March, which comprised a part of peak season, recorded an increase of 16.7 per cent, while the second, third and fourth quarters recorded an increase of 14.8 per cent, 20.5 per cent and 15.2 per cent respectively in the tourist arrivals over the corresponding quarters of the previous year. The maximum number of tourist arrivals was in the month of December, 84,593 followed by November, 74,118 and October, 72,995t The pattern of seasonal tourist movements remained almost the same as in the early years. Out of the total arrivals, 56.1 per cent arrived during the winter months and 43.9 per cent arrived during the summer months. The daily arrivals of foreign tourists in the country was 2050 in 1978 as compared to 1755 in 1777.

Jewellery Exports

Australia, France, West Germany and Italy have offered to collaborate with India on a long-term basis in promoting the export of gold jewellery to third countries. A team of Australian precious stone mine owners is expected to visit this country shortly to have detailed discussions in this regard.

Apart from these offers, two important trading houses in Kuwait have also shown interest in having joint marketing arrangements with India for exporting gold jewellery to the entire Gulf area.

These "positive" and "encouraging" results have emanated from an exhibition of gold jewellery organised by the State Trading Corporation in Kuwait recently, according to the group executive of STC, Mr A.K. Dam. He added that Australia, Italy, West Germany and France have offered to provide latest designs for the Indian jewellers to cater to the fast-changing requirements of women in foreign countries. They are prepared to buy the entire production of gold jewellery under such arrangements.

Mr Dum explained that for the first time an exclusive exhibition of Indian gold jewellery was organised in Kuwait from May 5 to 12. As such, the craftsmanship of jewellers was exposed to foreign buyers. In all. Since under the rules of Kuwait spot sales could not be made, the orders already received and still flowing in are considered quite encouraging. On this basis, STC has projected an export target of Rs 10 crores for the current year.

Names in the News

Mr. S.S. Grewal, chairman, Food Corporation of India has taken over on June 1, as secretary, department of Food in the ministry of Agriculture and Irrigation. He succeeds Mr R. Balasubramanian, who retired on May 31.

Dr P.K. Das, Director General of Meteorology, who is leading the Indian delegation to the Eighth World Meteorological Congress being held at Geneva, has been elected a member of the executive committee of the World Meteorological Organization. The executive committee of the organization is responsible to the Congress of World Meteorological Organization for the co-ordination of the programme of the organization and for the utilization of its budgetary resources in accordance with the decisions of the Congress.

Mr A. Bir, managing director of Stewarts and Lloyds of India has been elected chairman of the Eastern Region Council of the Indo-German Chamber of Commerce. **Mr H. Ludwing**, director of Otto India Private Limited has been re-elected vice-chairman.

COMPANY AFFAIRS

Gwalior Rayon

THE GWALIOR Rayon Silk Manufacturing (Weaving) Co has reported improved working results for the year ended March, 1979. Equity dividend has been raised from 17.5 per cent to 20 per cent. The turnover has crossed the Rs 200-crore mark and amounted to Rs 206.90 crores during 1978-79 against Rs 182.75 crores in the previous year, showing a rise of 13.2 per cent. The gross profit increased by 12.4 per cent from Rs 23.62 crores to 26.55 crores. After providing Rs 8.69 crores (Rs 7.92 crores) for depreciation, Rs 3.77 crores (Rs 5.53 crores) for investment allowance and Rs 7.42 crores (Rs 7.05 crores) for taxation, the net profit works out to Rs 6.66 crores (Rs 3.12 crores). Preference dividend will absorb Rs 32.39 lakhs (same) and equity dividends Rs 316.80 lakhs (Rs 277.20 lakhs). Production was about 10 to 11 per cent higher than in the preceding year.

Higer Turnover

The higher turnover has been attributed to start-up of the second spinning line of grasilene fibre and better operating efficiency of the various plants even though prices of viscose staple fibre, the company's principal product, were maintained at the same level throughout the year despite substantial increase in costs of production.

The company has received recently the consent of the Controller of Capital Issues for making a public issue of 2,000,000 equity shares of Rs 10 each at a premium of Rs 25 per share. This issue is to be made to the Indian public, excluding the Birla group. According to Mr A.V. Birla, chairman, the issue will be made before the end of July. Necessary steps are being taken in this regard by the company. The proceeds of the proposed issue will be utilised for meeting the modernisation and renovation programme and working capital requirements.

Diversification Project

The issue is being made in pursuance of one of the conditions stipulated by the department of Company Affairs, government of India while granting permission for setting up the high performance fibre (grasilene) project at Harihar. The current year's working so far is stated to have been marginally better than in the same period last year.

The company proposes to spend in the current year about Rs 15 crores in modernisation and renovation programme. An industrial licence to manufacture 800,000 tonnes per annum of portland cement at Jawad, Madhya Pradesh is still under the government's consideration.

The company is going ahead with its various foreign joint ventures. The plant in Thailand is being expanded to 45 tonnes per day of viscose staple fibre, which is expected to be achieved by June. Necessary permission from the government of India for the company's participation in the equity capital of the carbon black joint venture project in Thailand by way of supply of machinery and equipment has been received. This project, which will be a sophisticated one in Asia, is expected to go into production by the end of this year. Necessary permission for setting up a joint venture project for staple fibre has been obtained from the government of India. A feasibility report has been submitted to the Board of Investment in Philippines for an integrated project for pulp and fibre. The cost of a 90-tonne per day project will be equivalent to Rs 80 crores.

Texmaco Limited

Reporting to the shareholders on the working of the company during the year ended December 31, 1978, the board of directors of Texmaco Limited explains that the working results for the year did not compare favourably with that of the previous year for reasons beyond the control of the management. While the production during the year at Rs 29.70 crores was marginally lower compared to Rs 30.59 crores in 1977, the sales declined to a greater extent from Rs 30.78 crores to Rs 27.35 crores. Because of inordinate delay in the receipt of certain components from the UK, there was a hold-up in the completion of wagons for export to Uganda. Again, certain hydraulic steel gates and equipment manufactured against a contract for a World Bank project in Malawi added to the inventories due to the non-availability of shipping space thanks to disturbed port working conditions in the last quarter of 1978.

Another adverse development was a precipitate fall in the production of sugar machinery which was a mere Rs 55 lakhs against Rs 6.70 crores in 1977. The central government's decision not to license any new units in the organised sector of the sugar industry has naturally cast a shadow on the future. The rolling stock division also suffered in output because the railways were not able to procure and supply on time the wheel-sets required for the wagon production programme. What is particularly surprising is that even at a lower level of production of 1,815 units in terms of four-wheelers as against 2,773 units in 1977, the railways were not able to take delivery promptly with the result that as many as 262 wagons were stabled at the company's works at the close of the year.

Spurt in Demand

The textile machinery division however fared somewhat better as a result of a spurt in demand in the second half of the year. Nevertheless, neither production nor sales, both of which were over Rs 9.20 crores, did not register any appreciable improvement, as a consequence of a prolonged strike in the works of one of the major suppliers of proprietary items. The company's order book, however, is very satisfactory and better results are expected during the current year. The commercial production of high speed draw frames was fully established and the company is planning for the further upgrading of its range of textile machinery.

The export orders for the various manufactures of the company at the beginning of the current year amounted to Rs 13.50 crores and it is hoped that a major portion of these orders will be executed during the year. In the area of diversification some improved developments are taking place. Currently under execution is a turnkey contract worth about Rs 60 lakhs for a mechanised coal handling plant. The company has also been successful in securing an order of the value of Rs 30 lakhs for a coal washery system, designed entirely by itself, to achieve balance of coal loading rate with washing. The plant and machinery for the company's replacement and modernisation programme have started arriving and the finance of Rupees two crores secured for this purpose under the IDBI soft loan scheme is expected to be disbursed shortly.

The company has received an industrial licence for a cement plant with an annual capacity of 400,000 tonnes to be set up in Andhra Pradesh. A decision has been taken to establish this plant under a separate company which will be promoted by Texmaco Limited.

The year's working results show a surplus of Rs 1.74 crores which after provisions for depreciation, taxes and investment allowance reserve, leaves a balance of Rs 45.85 lakhs. The directors have recommended an equity dividend of Rs 1.50 (15 per cent) per share absorbing Rs 22.50 lakhs. An amount of Rs 11 lakhs has been transferred to general reserve bringing up its total to Rs 2.11 crores.

Khandelwal Ferro Alloys

In its annual report for the year ended December 31, 1978, the board of directors of Khandelwal Ferro Alloys Limited states that the sales of ferro manganese continue to be quite satisfactory and that there is at present a good export market for this product. However, certain constraints on production are in operation such as the overall shortages of manganese ore and pearl coke.

The raw material position again, remains quite difficult for the production of steel tubes. Prices of steel strips and skelp have gone up while supplies, though augmented by imports, still continue to be tight. The demand conditions, both domestic and export, are satisfactory but output has to be increased if this advantage is to be availed of fully.

Increased Sales

During the year under review the ferro manganese unit has stepped up its production and the total sales amounted to Rs 8.38 crores as against Rs 6.93 crores in the previous year. These figures include export sales which moved up substantially from Rs 0.85 crores to Rs 3.57 crores. The output of steel tubes, however, fell sharply due to a temporary breakdown in the high frequency induction welding system. Necessary repairs and replacements have been effected and the unit was able to resume full production towards the end of the year.

While the gross profit was lower at Rs 1.26 crores(Rs 1.39 crores), the net profit after depreciation and provision for taxation, besides appropriation for investment allowance reserve stood reduced to Rs 38.65 lakhs (Rs 52.59 lakhs). The board has recommended a dividend of Rs 14 per equity share of Rs 100 each and has also proposed the issue of bonus shares in the proportion of one new fully paid equity share for every two existing equity shares held in the company. This would call for the capitalisation of a sum of Rs 87 lakhs out of the general reserve which stood at Rs 2.37 crores as on the December 31, 1978.

Union Bank

The Union Bank of India which has entered its Diamond Jubilee in 1979, has achieved creditable performance in 1978 with all-round progress in its various facets of working. An outstanding feature of the bank's working in 1978 was the impressive growth of its advances to priority sectors by 20.7 per cent. Priority sector advances rose from Rs 174.07 crores in 1977 to Rs 210.15 crores in 1978, exceeding the target of one third of advances laid down by the government. Of this, agricultural credit increased even more sharply by about 24 per cent i.e. from Rs 76.91 crores to Rs 95.20 crores.

During the year, the number of branches crossed the 1000-mark. The bank has a creditable record of deposit mobilisation. In 1978, total deposits crossed the Rs 1000-crore mark. The total deposits rose from Rs 860.3 crores to Rs 1016.5 crores. The rate of growth of aggregate deposits was 21.0 per cent which was both higher than that of 18.9 per cent recorded by the bank in 1977 and 18.6 per cent recorded by scheduled commercial banks in 1978. Another milestone in the bank's progress has been the growth of its advances to weaker sections under the Differential Interest Rates Scheme. Such advances given at the rate of four per cent interest, amounted to Rs 6.26 crores, against Rs 5.19 crores in 1977.

The Bank opened 76 branches—40 in rural centres and 12 in semi-urban centres during the year, improved i branch network to 1076. A the end of the year, 66.8 p cent branches were in rur and semi-urban centres. Of t branches opened, around 6 per cent covered 'deficit' di tricts in relatively under-banke states. The Bank's incom during 1978 was higher a Rs 88.89 crores as compare to Rs 77.60 crores in 197 The expenditure was Rs 87.1 crores as against Rs 76.0 crores. Profits after making th usual and necessary provision amounted to Rs 176.10 lakh in 1978 as against Rs 155.8 lakhs in 1977.

Central Bank

Central Bank of India cros sed the Rs 2,000-crore mar in deposits towards the en of 1978, recording a rise o Rs 358.97 crores during th year, which was the highest i the post-nationalisation perio The share of demand deposit in aggregate deposits ros from 43.9 per cent to 46 pe cent well over the average o 38 per cent of the bankin system. The bank's per branc deposits moved up from Rs 9 lakhs in 1977 to Rs 111 lakh in 1978, which were highe than the average of Rs 8 lakhs for the banking system The number of deposit accoun ts increased by about 700,00 to over 6.6 million. Durin 1978 the bank opened 11 branches (including two in th UK) against 104 in 1977, rais ing the total number to 1,63 (including three foreign bran ches), Mr K. Vaghul, executiv director, told newsmen recentl that 67 per cent of the office were in rural and semi-urba centres. He said the bank ha plans to open about 250 ne branches in 1979.

Consistent with the credi

policy of the RBI, the banks credit expansion was well contained during 1978, The expansion in credit recorded a rise of 10.4 per cent, which was well below the average of 17 per cent for the banking system. The credit-deposit ratio was lower at 69.9 per cent at the end of 1978 against 75.7 per cent at the end of 1977. The bank's advances to priority sectors rose significantly by Rs 48.9 crores to Rs 315 crores during 1978. Major increase in priority sectors lending during the year was in agricultural credit, the loans outstanding rising to Rs 160 crores, with a growth rate of 18.5 per cent.

Hindustan Lever

The board of Hindustan Lever announced better the results for the year ended December 31, 1978. Demand for all products of the company continued to be buoyant during the year, and turnover increased from Rs 262 crores in 1977 to Rs 301 crores. This includes exports of about Rs 18 crores. The profit before tax increased from Rs 21.7 crores in 1977 to Rs 25.8 crores in 1978, and profit after tax from Rs 7.9 crores to Rs 9.8 crores. The company paid in October 1978 and interim dividend of 10 per cent pro rata according to the dates on which the shares became fully paid up.

The directors have now resolved to recommend a payment of 10 per cent by way of final dividend on the share capital as enhanced by the recent bonus issue, i.e. Re 1 per share on shares which were fully paid up as at January 1, 1978, and the bonus shares allotted in respect of the same, and Rs 0.793 per share on shares which become fully paid up on June 1, 1978, and the corresponding bonus shares. The final dividend will be paid to shareholdres whose names appear in the register of members of the company on June 21, 1979.

EID—Parry

EID—Parry (India) has skipped the dividend for 1978 against six per cent in the previous year. Sales during the year were around Rs 103.78 crores against Rs 106.10 crores in 1977. The company has incurred a loss of Rs 6.34 crores against a profit of Rs. 3.34 crores in the previous year. After allocating Rs 1.19 crores (Rs 89.56 lakhs) for depreciation and several other adjustments, there is a total loss of Rs 4.10 crores against a profit of Rs 13.80 lakhs.

The directors point out that several adverse factors have affected operations during the year. There was a cyclonic storm in the beginning of the sugar season. Following decontrol of sugar, there was panicky slump in sugar prices. The marine operations also contributed to the loss mainly because of restrictions imposed in the area and export quota restrictions. Ceramic activities were quite satisfactory and could have produced good results, but the strike and consequent lock-out had affected the results of this division.

Indian Explosives

Indian Explosives proposes to issue debentures of Rs 500 each for Rs 25 crores to the existing equity shareholders. The holders of debentures will have the option to convert 20 per cent of the nominal value of debentures into six equity shares of Rs 10 each at a premium of Rs 6.75 per share or at a premium actually allowed by the Controller of Capital Issues. Such option, however, will be exercisable during a period of 60 days ending June 30, 1982. The present shareholding of the Imperial Chemical Industries Ltd, UK of 50.42 per cent of the total issued capital will remain unaltered after the exercise of the conversion option. The debenture issue is proposed to be made to partly finance the expansion of the ammonia and urea plants of its Panki factory to 411,000 tonnes of ammonia and 675,000 tonnes of urea per annum. The outlay on the expansion scheme, estimated at Rs 88.25 crores, is to be financed by the debenture issue of Rs 25 crores, term loans from financial institutions and internal accruals.

S.S. Duncan

Schrader-Scovill Duncan proposes to take up expansion and diversification programme. The approval of the central government for the conversion of the letter of intent, for 100 per cent expansion of automotive products production, into an industrial licence is still awaited. A letter of intent enhancing the capacities of some of the fluid power products manufactured by the company was received during 1978. The company was granted a letter of intent to manufacture hydraulic hoses and fittings and oilseals. Active discussions with prospective collaborators are in progress. The company expects to receive the government's final approval shortly. Sales rose from Rs 3.84 crores in 1977 to Rs 4 crores in 1978 and the gross profit from Rs 86.73 lakhs to Rs 89.37 lakhs. After provisions and adjustments, the disposable surplus was Rs 36.05 lakhs (Rs 25.99 lakhs). A higher total equity dividend of 18 per cent is being paid against 16 per cent paid for 1977, and will absorb Rs 16.63 lakhs (Rs 14.78 lakhs). General reserve gets Rs 19.41 lakhs (Rs 11.20 lakhs). Production was about six per cent higher than in 1977.

Ceekay Automotive

Ceekay Automotive Products achieved sales of Rs 27.98 lakhs during 1978, the first full year of operation, against Rs 3.65 lakhs in 1977 for four months operation. The working has resulted in a loss of Rs 24.38 lakhs against the loss of Rs 10.31 lakhs, after providing Rs 4.96 lakhs (Rs 4.70 lakhs) for depreciation. After adjustments, a debit balance of Rs 34.78 lakhs has been carried forward. Sales in the first four months of the current year have totalled Rs 16.50 lakhs, showing a 100 per cent, rise over the same period of 1978. The clutch division has operated at 70 per cent of its capacity against the capacity utilisation of 33 per cent in 1978. The carburettor division is also expected to operate at a considerably higher capacity. With the increase in supplies of clutch plates, cover assemblies and carburettors to original equipment users, the current year is expected to result in higher capacity utilisation and increased turnover.

Escorts

Escorts Ltd proposes to set up a new undertaking for the manufacture of high speed diesel engines of 100-650 horse power in collaboration with MAN, AG of West Germany. Besides providing technical know-how for the project, the renowned German firm will subscribe to equity capital of the new company up to 40 per cent of the issued capital of Rs 3 crores. The capital cost of the project is estimated at Rs 13 crores. The feasibility studies undertaken by the company show that there is increasing demand for high speed diesel engines for stationary as well as automotive applications and prospects for marine applications are also expected to improve. The directors, therefore, feel that investment by the company in the new venture will be beneficial.

Meanwhile, the company has entered into technical collaboration with Yamaha of Japan for the manufacture of two-stroke, two-cyliner motorcycle, engines of 350 cc. With a view to broadbasing its industrial equipment range, a joint venture in collaboration with J.C. Bamford Excavators of the UK has been floated for the manufacture of 75 HP excavator-loaders with an annual capacity of 500 units. The company has approved a five year capital investment programme to expand production capacities of its range of manufactured products by 50 to 100 per cent, subject to government approval. It plans to invest Rs 5 crores to Rs 6 crores a year in plant and machinery both for expansion and modernisation through its own internal generation. The authorised capital of the company is also proposed to be increased from Rs 13 crores to Rs 20 crores to meet future requirements. The present equity capital of Rs 8.36 crores in supported by reserves of Rs 12.06 crores at the end of 1978.

Seshasayee Industries

Seshasayee Industries fared better during 1978. Sales have risen from Rs 4.91 crores in 1977 to Rs 5.12 crores in 1978 and the gross profit from Rs 31.82 lakhs to Rs 55.28 lakhs. After providing Rs 13.72 lakhs (Rs 11.29 lakhs) for depreciation, and after writing off losses on plant and machinery discarded and on kiln and furnace furniture amounting to Rs 8.27 lakhs (nil), the net profit works out to Rs 33.29 lakhs (Rs 20.53 lakhs)—After adjusting against the brought in loss of Rs 51.22 lakhs there is a debit balance of Rs 17.93 lakhs. The company has a satisfactory orderbook position of Rs 8.28 crores which includes IDA/export orders worth Rs 89 lakhs. The current year began with execution of quite remunerative orders and operations in the current year so far have been reassuring. The directors are actively considering various plans for increasing the installed capacity and modernising the existing plant to improve efficieney and profitability. This will involve sizable capital expenditure, which will be financed by internal and borrowed funds.

Macmillan

The Macmillan Company of India has fared well in 1978 with a substantial rise in sales and profits. The turnover has risen by 27 per cent to Rs 496.07 lakhs from Rs 391.04 lakhs and the gross profit by 40.20 per cent to Rs 22.06 lakhs from Rs 16.72 lakhs. After providing Rs 9.57 lakhs (Rs 8.73 lakhs) for depreciation, Rs 16,500 (Rs 5,300) for investment allowance reserve, Rs 2.28 lakhs (Rs 2.55 lakhs) for loan stock redemption reserve and making other adjustments, there is a surplus of Rs 15.26 lakhs against Rs 7.95 lakhs. Equity divident has been skipped in order to conserve reserves for meeting the cost of planned expansion. The Bangalore typesetting unit is now in fully utilising its capacity and exports have been made to the UK.

Colgate

The directors of Colgate-Palmolive (India) have proposed a final dividend of 26 per cent which together with the interim of 40 per cent makes a total of 66 per cent for 1978. The interim dividend was paid to the foreign holding company, Colgate-Palmolive of America, whereas in the proposed final dividend the Indian shareholders of the company would be participating. The non-resident shareholding in the company's capital was reduced in November last following an offer of the company's shares of Rs 10 each at a premium of Rs 15 per share by the foreign holding company.

The company's performance for 1978 has been encouraging with sales increasing by 19.5 per cent to Rs 38.98 crore from Rs 32.63 crore in 1977. Its gross profit at Rs 9.94 crore shows an increase of 16.8 per cent over that of Rs 8.51 crore for 1977. The proposed final dividend as well as profit figures are far lower than market expectations. The company's board would meet on June 27 to declare an interim dividend for 1979.

The company's pre-tax profit for 1978 amounts to Rs 9.80 crore against Rs 8.62 crore for 1977 after providing Rs 13.82 lakh (Rs 9.45 lakh) for depreciation. The provision for taxation is considerably higher at Rs 7.42 crore compared to Rs 6.21 crore. After adjustments, the distributable profit amounts to Rs 2.45 crore (Rs 2.44 crore). The interim dividend has claimed Rs 78.60 lakh and the proposed final dividend will claim Rs 51.09 lakh. The total dividend distribution for 1978 will amount t Rs 129.62 lakh against a tota of Rs 181.20 lakh for 1977 Thus, the dividend outgo fo 1978 is lower at 55 per cent o the after-tax profit against 82 per cent in the previous year The company's performance seems to have been adversely affected during the second half of the year.

J.K. Tyre

J.K. Tyre Limited has shown better working results for the year 1978. In the second year of its operations, the production went up to 382,827 tyres against the previous year's level of 227,829 tyres, thus achieving a capacity utilisation of 77 per cent.

The sales have doubled, achieving a figure of Rs 33.07 crores compared with Rs 15.78 crore last year. Its working has resulted in a gross operating profit of Rs 2.59 crores. After deduction of the cost of borrowings amounting to Rs 4.19 crores, it has suffered a net loss of Rs 1.60 crores.

The improved working, it is claimed, has been due to better capacity utilieation and consumer acceptance of company's nroducts due to consistent high quality. The directors state that the operating profit could have been better but for the frequent and abnormally steep increase in cost of raw materials, power, fuel and other inputs. There was also difficulty in the availability of certain raw materials The company is the first producer of steel-belted radial tyres in the country

Pine Chemicals

Pine Chemicals, a new company promoted by Camphor and Allied Products, is expected to enter the capital market by the end of July with a pub.

lic issue of 600,000 equity shares of Rs 10 each at par. The proceeds of the public issue will be utilised to meet a part of the finance required for setting Rs 2.70 crore project for the manufacture of rosin and its derivative at Brahmana in Jammu. The project is expected to be commissioned by November, 1979.

The project cost of Rs 270 lakh is being met from the share capital of Rs 101 lakh, cash subsidy of Rs 15 lakh and term loans of Rs 154 lakh. Camphor and its associates will take up equity shares of Rs 40 lakh (40 per cent of the subscribed capital).

The company's plant is designed to produce 10,000 tonnes of fine gum resin to produce 2,750 tonnes of rosin, 1,800 tonnes of turpentine and 600 tonnes of derivatives. The company's plant is expected to attain 50 per cent of the capacity utilisation in the first year of its operations, which is expected to increase to 75 per cent in the second year and to 100 per cent in the third year.

Of the company's public issue of six lakh shares, 5.27 lakh shares have been underwritten by financial institutions and sharebrokers. For the balance of 72,500 shares, the promoting company, Camphor and Allied Products, has given an undertaking that it would take up shares not subscribed to by the public.

Swadeshi Polytex

The Monopolies and Restrictive Trade Practices Commission has recommended to the government that the expansion proposal of Swadeshi Polytex Ltd should be approved subject to certain conditions. The company has sought permission for doubling to 12,200 tonnes annually the present capacity for the manufacture of polyester staple fibre. In its report submitted to the government the commission has observed that some of the allegations against the present management of the company have to be decided at appropriate forums where they are raised.

Terms and Conditions

The conditions laid down by the MRTPC are : (i) three directors unconnected with the company's managing director should be included in the board of directors ; (ii) as and when the rights shares by Swadeshi Polytex are issued as part of the scheme to finance the expansion cost, they may be issued pro rata to Swadeshi Cotton Mills and Swadeshi Mining and Manufacturing Company in the first instanee. If they are not subscribed to, they should be offered to public financial institutions in the first instance; and (iii) every endeavour must be made to pass on the reasonable benefit of savings in cost as a result of the expansion to the final consumer of blended fabrics containing polyester staple fibre and to consumers of intermediate products like spinners and weavers.

While recommending the expansion proposal, the commission has also pointed out that if per capita consumption of fabric must be increased, it will be necessary to resort to man-made fibres including polyster staple fibre and any step in that direction, in order to be effective, will necessarily require rationalisation and revaluation of excise and import duties, albeit in a phased manner.

The commission has found it necessary to oversee both the expansion and working of the undertaking.

Amalgamations Repco

Consequent upon increase in output, the turnover of Amalgamations Repco Limited, during 1978 nearly doubled to Rs 207.29 lakh from Rs 105.13 lakh in 1977. Net profit before depreciation jumped to Rs 21.11 lakhs from Rs 1.06 lakh previously. After writing back Rs 12.99 lakh (nil) for excess provision in earlier years and wiping out the debit balance of Rs 23.08 lakh brought in from the previous accounts, there is a balance of Rs 7.96 lakh available for appropiration. A decision in regard to payment of equity dividend is expected to be taken by the directors at their next meeting after the question of dilution of foreign holding to 40 per cent from 49 per cent is decided in consultation with RBI and the government.

Borosil Glass

The shareholding of Corning Glass Works of America in Borosil Glass Works has been reduced from 48.87 per cent to 39.51 per cent following the sale of 140,000 shares by the American holding company to Ballarpur Industries. The dilution in foreign shareholding follows the compliance with the Foreign Exchange Regulations Act, 1973, the directors state. Meanwhile, the company has developed certain new items like flame proof tubes, dust proof tubes and safety lamp chimneys, all used exclusively in mines.

The company's performance during 1978 has been encouraging with sales increasing by 21 per cent to Rs 6.94 crore from Rs 5.69 crore in 1977. Its gross profit has increased to Rs 1.54 crore from Rs 1.20 crore. Its pre-tax profit amounts to Rs 1.46 crore against Rs 1.11 crore. The directors have proposed to step up the equity dividend to 15 per cent for 1978 from 10 per cent paid for in the previous year. The company's exports declined to Rs 33.19 lakh in 1978 from Rs 48.30 lakh in the previous year because of severe competition in world markets.

Saraspur Mills

Mr Chinubhai Chimanlal, chairman, Saraspur Mills Ltd, told the shareholders at Ahmedabad recently that it was difficult to say anything about the performance of the current year at this juncture in view of uncertain conditions of the cloth market and rising cost of production. The company will suffer a loss of Rs 1.25 crores per month due to roll back prices of cloth. The company has been granted soft loans of Rs 2.04 crores for its modernisation programme of Rs 3.71 crores. The sales in the first four months amount higher at Rs 4.56 crores as compared to Rs 4.08 crores in the corresponding period of the previous year.

Aruna Mills

Aruna Mills Ltd, has been granted a soft loan of Rs 2 crores for its modernisation programme. The company expects to instal new machinery worth Rs 1.10 crores in the current year. According to the chairman, Mr Gunnottam Huthisingh, the total sales in the current year are expected to be around Rs 18 crores. The sales in the first four months of the current year amount higher at Rs 4.97 crores as compared to Rs 4.27 cror in the preceding year.

Pudumjee Plup

Pudumjee Pulp and Paper Mills has widened its product range following the production of natural tracing papers and tissue papers. Its second hand machine imported from Germany commenced production of natural tracing papers in November, 1978, whereas two second hand imported machines commenced production of tissue papers recently. The management hopes to commission the third super calendar by October next. It also expects to finalise the scheme of augmenting production of the first paper machine by the end of 1979. The company has earned a higher net profit of Rs 69.24 lakhs for 1978 against Rs 66.80 lakhs for the previous year. The board has proposed to maintain the rate of dividend of 10 per cent on the larger capital resulting from the one-for-two bonus issue.

ELPRO International

Elpro International has reported improved results for 1978. Gross profit has more than doubled from Rs 34.07 lakhs in 1977 to Rs 70.24 lakhs. Sales are up from Rs 4.71 lakhs to Rs 5.67 lakhs—a rise of about 20 per cent. Dividend has been raised from 12 per cent to 16 per cent. Allocations include: taxation Rs 42 lakhs (nil) and investment allowance reserve Rs 2.60 lakhs (Rs 1.50 lakhs). Dividend will absorb Rs 13.60 lakhs (Rs 10.20 lakhs). A sum of Rs 13.33 lakhs (Rs 5.30 lakhs) has been transferred to general reserve. The directors point out that the increase in sales was predominantly due to higher volume of sales in almost all product lines. Due to the existing worldwide shortage of cobalt, the company is apprehensive of decline in business of alloy magnets for 1979 and future years. Prospects for business of X-ray equipment, cobalt 60 teletherapy units and electricity hearing units also appear to be good as is indicated by the order book position.

Capital and Bonus Issues

The government has accorded consent to fresh capital issues by the following companies :

Bonus Issues

The Bombay Dyeing and Mfg. Company Ltd: Rs 520,43,225 of Rs 25 each in the ratio of 1 : 1.

Kulkarni Engg Associates Pvt Ltd: Rs 157,000 of Rs 100 each in the ratio of 1 : 1.

Al-Sales Ltd; Rs 300,000 of Rs 100 each in the ratio of 1 : 1.

Sundaram Clayton Ltd: Rs 56,90,100 of Rs 100 each in the ratio of 1 : 3.

Universal Cables Ltd: Rs 86,78,240 of Rs 10 each in the ratio of 1 : 2.

ION Exchange (India) Ltd: Rs 36,03,600 of Rs 10 each in the ratio of 3: 5.

Engineering Construction Corporation Ltd: Rs 1,40,00,000 of Rs 10 each in the ratio of 1:1.

Hoechst Pharmaceuticals Ltd: Rs 170,25,600 of Rs 10 each in the ratio of 1 : 2.

The New India Assurance Co Ltd: Rs 329,87,320 of Rs 5 each in the ratio of 1 : 2.

The Metal Powder Co Ltd: Rs 60,00,000 of Rs 100 each in the ratio of 1 : 1.

Toshniwal Industries Pvt Ltd: Rs 3.75 lakh in the ratio of 1 : 2.

Trading Engineers (Intl.) Pvt. Ltd: Rs 29.5 lakh : 1 for 1.

Dalco Engineering Pvt Ltd: Rs 400 lakhs: 1 for 1.

Hercules Hoists Ltd: Rs 15 lakhs : 1 for 1.

Danfoss (India) Ltd: Rs 11 lakhs : 1 for 2.

Indofil Chemicals Ltd: Rs 69.86 lakhs: 1 for 1.

J.P. Mukherji and Associates Pvt Ltd: Rs 100,500 : 1 for 1.

Aristo Plast Ltd: Rs 7.50 lakhs: 1 for 1.

The Eastern Cachar Tea Company Ltd: Rs 7 lakhs : 1 for 1.

Industrial Jewels Pvt Ltd: Rs 2.16 lakh : 18 for 100.

Further Issues

India Radiators Ltd: Rs 15,00,000 in Rs 10 each equity shares at par, to the public through prospectus.

Excel Industries Ltd: Issue of 100,000 debentures of Rs 100 each for cash at par as rights to the existing Indian resident equity shareholders.

Karnataka Aluminium Ltd: Rs 58,00,000 (inclusive of the capital already raised) in the equity shares of Rs 10 each, for cash at par, out of which Rs 28.42 lakh will be offered to the general public by a prospectus.

Larsen and Toubro Ltd : Rs 288,31,680 in equity shares of Rs 10 each as rights to the existing equity shareholders at a premium of Rs 12 per share. The proceeds are required for meeting a part of funds for their new cement plant.

Gwalior Rayon Silk Manufacturing (Wvg) Co Ltd: Rs 200 lakhs in equity shares of Rs 10 each at a premium of Rs 25 per share out of which about one lakh shares are meant for employees and 1,900,000 shall be offered to the public by prospectus.

International Investment Pvt Ltd: Rs 75.43 lakh in equity shares of Rs 10 each at a premium of Rs 2 per share, to the general public by prospectus, Rs 70 lakh and Rs 5.43 lakh to the employees and business associates.

Rassi Cements Ltd: Rs 470 lakhs, Rs 450 lakhs in equity of Rs 10 each and Rs 25 lakhs in preference shares of Rs 100 for cash at par to meet a part of the cost of the cement project in Nalgonda, Andhra Pradesh.

The Hotels Pvt Ltd: Rs 2,06,250 in equity shares of Rs 25 each at a premium of Rs 10 to Indian nationals resident in India by private placement, to reduce the foreign holding to 40 per cent.

Rights Debentures

Hindustan Development Corpn. Ltd: Rights debentures of Rs 75 lakh to resident Indian shareholdes, for meeting working capital needs.

Gujarat Steel Tubes: Rights debentures of Rs 100 lakh to the resident Indian shareholders, for meeting the working capital needs.

Alembic Chemical Works Company Limited: Rs 75 lakhs in rights debentures to the resident equity shareholders, for meeting working capital needs.

Loyal Textile Mills Limited: Rights debentures of Rs 25 lakhs to the resident Indian equity shareholders, for meeting working capital needs.

Tata Chemicals Ltd: Rights debentures of Rs 250 lakh to the resident Indian shareholders for meeting working capital needs.

Pallavan Transport Corpn Ltd : Rs 50 lakh in convertible debentures to the employees of the corporation, to encourage employees participation.

CHAIRMAN'S SPEECH

Highlights of the speech of Mr V Narayanan, Chairman & Managing Director, Goodyear India Limited delivered at the 18th Annual General Meeting of the Shareholders held on May 25, 1979.

Results :

The 1978 sales and profit results are an improvement over 1977. Compared to the loss position in 1977, profit before tax for 1978 improved significantly due to a more favourable product mix and stringent control on cost and expenses.

Dividend :

Although 1978 earnings turned the corner, your board of directors, following long and serious deliberations, decided that we should maintain last year's dividend. We must keep in view the vital need to conserve the resources for replacement and modernization of equipment and to meet additional working capital requirement in the face of ever increasing costs.

Better Tyre Mileage :

Tyres today are rendering better mileage and lasting longer due to the use of tougher and better quality materials.

Additional Tyre Capacity :

When the time comes for Government to approve additional capacity in the country, the existing tyre companies should be allowed to grow rather than set up new plants. Such an approach would ensure the economic viability of existing companies in the changing environment.

Tyre Prices :

There is a general assumption that the tyre industry, through the recent tyre price increases, is attempting to make excessive profits. This is of course not the case; our meagre profits of 1978 render such criticism totally out of place.

Impact of Taxation on Tyre Prices :

Raw materials account for as much as 80% or more of the factory cost of a tyre. When prices for all of them go up as sharply as they have in the last one year, there is really no alternative to adjusting the selling prices.

Ad valorem import duties such a 52.5% on synthetic rubber, 101.25% on carbon black and 189.9% on nylon yarn, calculated on today's C I F prices, push our costs straight up.

Under the present excise and sales tax levies, in order to recover a cost increase of one rupee, we must simultaneously collect 57.75 paise for excise and 19 paise for sales tax or a total of 77 paise for taxes. There is a need for review of these high ad valorem import duties, excise tax and sales tax.

Taxation :

We estimate that our gross sales of Rs. 67 crores last year netted at least Rs. 30 crores of taxes for government.

1% Nett Profit :

The nett profit to the company was, as you know, Rs. 66. 4 lakhs or about 1% of gross sales.

5.5% of Nett Worth :

Tyre industry profits are well below the accepted norm of 12% post-tax return on nett worth or corresponding return on capital employed. The 1978 profits of your company work out to 5. 5% of nett worth.

Exports :

Export sales in 1978 were Rs. 215 lakhs.

Product Popularity :

Your company's products enjoy ready acceptance among consumers. Our Power Drive and Power Cushion car tyres are very popular, as is the Super Cross Rib nylon heavy tread truck tyre.

Largest Supplier of Earthmover Tyres :

You will be pleased to know that we are the largest supliers of large earthmover tyres both to the manufacturers of heavy earthmoving machines and to the various mining, irrigation and hydro-electric projects. We are also the second largest manufacturers of farm tyres in the country.

Truck Operator—Worthy of Our Esteem :

According to the National Council of Applied Economic Research Study, the average truck engaged in inter-state operations pays about Rs. 2,50,000 in taxes over its five year operational life. This is a very handsome contribution and it is made with few demands on society. The truck operator is worthy of our esteem and of our concern for his probelems.

GOODYEAR

Aid to developing world : facts and figures

Since the oil price rises of 1973-74, the overall foreign indebtedness of non-oil producing Third World countries has increased sharply and by the end of 1977 had reached $205,000 million. Western industrialised countries have tried to ease this burden : between 1975 and 1977, 52 per cent of their development assistance was directed to low-income countries. A special effort has been made to help the least developed countries, with the western aid increasing from 13 per cent of aid to the developing countries in the early 1970s to 16 per cent more recently according to a background paper prepared by the Foreign and Commonwealth office, London.

THE TERMS of assistance through the Development Assistance Committee (DAC) of the Organisation of Economic Cooperation and Development (OECD)—already highly concessional—have also improved, the average grant element now standing at 89 per cent. DAC aid remains the largest single component of the total development assistance received by low-income countries.

In contrast, aid offers by communist countries over the past 25 years total less than the overall flow of western aid in 1977 alone. Developing countries have called on communist states to improve on their aid performance. Non-Aligned Foreign Ministers, meeting in Belgrade in July 1978, noted with regret that aid from the developed communist countries had steadily declined since 1974 and that in 1976 it was less than 0.1 per cent of their combined Gross National Product (GNP).

The Group of 77 Ministerial Meeting in Arusha in February, 1979 called on the communist states to increase their development aid. The total net economic aid flow from the Soviet Union in 1977 was $260 million (its military deliveries to the developing countries were estimated at nearly $3,300 million).

Total net aid from DAC members to developing countries in 1977 increased over 1975 by about $1,000 million to nearly $14,700 million—an eight per cent increase in dollar terms. The overall flow of resources, including private grants and investment, from DAC members amounted to over $49,000 million in 1977, representing 1.05 per cent of their combined Gross National Product. The US contribution in 1977 was $11,900 million.

Although no firm figures are yet available for 1978, western aid to the developing world is likely to have further increased. Japan's declared policy is to double her development assistance in the next three years, and other DAC members particularly the USA and West Germany, have indicated that they will substantially increase both the volume and the effectiveness of their aid programmes.

The United Kingdom aid programme over the next four years is planned to grow by six per cent a year, giving an additional £140 million between 1978-79 and 1981-82, when the programme is expected to be 40 per cent larger than in 1977-78.

Western loans are repayable on an average over 32 years, with an interest rate of just over 2½ per cent and a grace period of 10 years. At its ministerial meeting in March, 1978, the UNCTAD Trade and Development Board agreed to help the poorer countries by granting them softer terms retroactively for outstanding assistance or debt cancellation. Virtually all DAC members have already announced or are considering measures to implement this resolution.

The objective of meeting "basic human neeeds" has for some time been integral to the policy and development plans of most Third World leaders. Deriving from the statement in the 1948 UN Declaration of Human Rights that everyone has the right to "a standard of living adequate for the health and well-being of himself and his family", it was expanded at the 1973 Algiers Non-Aligned Summit Conference to the demand for an overall solution to such problems as health, nutrition and education.

In October 1977 the DAC countries resolved to devote progressively larger efforts to programmes aimed at satisfying basic needs—

TABLE I

Western and OPEC Resource Flow : 1974-77

	1974		1975		1976		1977	
	$m	as % of GNP	$m	as % of GNP	$m	as % of GNP	$m	as % of GNP
(1)	22,063	0.64	40,380	1.05	40,742	0.98	49,492	1.05
(2)	11,302	0.33	13,587	0.35	13.665	0.33	14,696	0.31
(3)	5,888	3.43	8,168	4.01	8,131	3.33	7,588	2.65

(1) Total net flow of resources reported by DAC countries to developing countries and multilateral agencies.

(2) Net Official Development Assistance (ODA) from DAC countries to developing countries and multilateral agencies.

(3) Total official flows from OPEC members: net disbursements.

Source: Development Cooperation—Efforts and Policies of the Members of the DAC: 1978 Review (OECD Paris) though they also stressed that they did not regard this as an alternative to industrialisation and economic growth. The long-term aim should be "self-generating development". DAC experts met in May, 1978 to exchange views on problems of aid for rural development, and several DAC countries and multilateral agencies have set up special rural development units to coordinate aid for this purpose. Some countries have focussed on technical assistance for education (particularly Austria and Sweden) and health (Canada and Denmark).

Stress on Industry

Aid for industrialisation has recently become increasingly important in the programmes of Sweden, West Germany, Japan and Canada. In 1977, 42 per cent of West Germany's project commitments were for public utilities and industry, and as part of the German effort to intensify technological and scientific cooperation with developing countries, a new department, the German Appropriate Technology Exchange (GATE) was set up in 1978. Aid for industrialisation constituted more than 30 per cent of Sweden's disbursements in 1976-77, according to the DAC 1978 Review.

OPEC Aid : Net disbursements of concessional assistance by the Organisation of Petroleum Exporting Countries (OPEC)* reached $5,741 million in 1977 (over 2 per cent of GNP). Total official flows were over $7,500 million or 2.65 per cent of GNP.

OPEC Aid

The major Arab donors—Saudi Arabia, Kuwait and the United Arab Emirates—provided more than five per cent of GNP for concessional assistance. In absolute amounts, Saudi Arabia has become in recent years the world's largest aid donor after the US. The terms of OPEC aid have on an average been harder than those of the DAC but most OPEC aid is untied.

The OPEC members' programmes have evolved since 1975 from concentration on relatively few countries to a more global scope. Initially OPEC aid consisted largely of balance-of-payments support and oil credits. More aid is now being channelled through institutions, both bilateral and multilateral, especially established for providing development assistance, and OPEC aid has gained many of the charac-

TABLE II

Estimated Net Disbursement from Communist Countries

	$ million					as % of GNP	
Total net flow	1973	1974	1975	1976	1977	1973	1977
USSR	720	670	375	345	260	0.09	0.03
China	410	340	330	345	265	0.14	0.07
Eastern Europe	235	195	265	210	205	0.07	0.05
Total	1,365	1,205	970	900	730	0.10	0.04

Source: Development Cooperation—Efforts and Policies of the Members of the DAC: 1978 Review (OECD Paris)

How EEC does it

The volume of Community aid amounted to $549 million (in disbursements) in 1977. The 4th European Development Fund (EDF), set up by the Lome Convention (about $3.5 billion), had so far given rise to commitments equal to more than half of the total planned for the duration of the Convention (1976-80); disbursements, on the other hand, had so far increased at a slower rate. It is explained that a lag between commitments and disbursements is normal in a growing programme.

Meanwhile, more than one-third of commitments in respect of the 4th EDF is concerned with rural production and social development. Food aid continued to account for a substantial production of Community aid (38 per cent in 1977), the bulk going to low-income countries, particularly in Asia. The European Investment Bank made loans to the developing countries out of its own resources totalling $173 million of commitments in 1977. Of total Community commitments ($1.2 billion in 1977), grants and loans on concessional terms (ODA) accounted for 86 per cent.

The bulk of Community aid goes to the African, Caribbean and Pacific States (ACP) under the Lome Convention (approximately 60 per cent of commitments in 1977). The non-Associated countries received most of the food aid as well as specific aid programme ($51 million of commitments in 1977). A series of agreements signed with the Mediterranean countries, which took effect in November 1978, should give rise mainly to loan commitments by the EIB. In all, the least-developed countries received more than 35 per cent of ODA disbursements.

Official development assistance by the EEC, which is in the main managed by the Commission of the European Communities, comprises two main items:

(a) Operations financed by the *European Development Fund* (EDF) in the form of grants (over 80 per cent), loans and contributions to equity capital; the EDF is fed by special contributions from member states.

(b) Operations financed by the *Community's Budget*: food aid, emergency relief, aid to the non-Associated and Mediterranean countries, operations financed by the Social Fund and the Regional Fund in the Overseas Department (OD) and a few limited technical assistance schemes.

The *European Investment Bank* (EIB) makes loans out of its own resources to the African, Caribbean and Pacific states (ACP) and the Mediterranean countries, often subsidised out of EDF or budgetary funds. It also manages the equity capital of the EDF and most of the special loans to Mediterranean countries.

Geographically a distinction is made between:

(a) Aid to the 55 *ACP States* under the Lome Convention (4th EDF: 3.2 billion e.u.a., and EIB; 400 million e.u.a. for the period 1976-80). Before the Lome Convention, the first EDF (1959-64), the first Yaounde Convention (2nd EDF, 1964-1969) and the second Yaounde Convention (3rd EDF, 1970-75) applied to a number of the Associated African states, Madagascar and Mauritius (AASMM) which are now involved among the ACP countries.

(b) *Non-Associated countries*, which have been eligible for food aid since 1969 and for specific assistance since 1976.

(c) The *Mediterranean countries*, which have signed agreements with the EEC which provide for financial assistance from the Community. These agreements came into effect on November 10, 1978.

The European unit of account (e.u.a.) used for the EDF and EIB was equivalent in 1977 to $1.14112, and the unit of account (u.a.), used for the budget, to $1.14544.

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*Aid-giving members of OPEC are : Algeria, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, UAE and Venezuela.

teristics common to DAC aid programmes.

Communist Aid : The Communist countries play only a small part in resource transfers to developing countries; net disbursements were estimated at about $700 million in 1977. The share of the USSR and east European countries in total aid receipts by developing countries fell from eight per cent in the early 1970s to two per cent in 1976 and 1977. Fewer than half the Communist offers made in the last 25 years have been taken up. Offers in 1978 are estimated at little more than $600 million.

Russian Resolve

Moscow Radio reported on September 21, 1978 that the deputy chairman of the State Committee for Foreign Economic Relations, I. A. Kulev, had said that the USSR planned to increase economic and technical assistance to developing countries by 50 per cent by 1980. Because of the low level of disbursements in 1976 and 1977, however, a 50 per cent increase would probably do no more than bring the level of disbursements back to the 1973-74 level. And because non-Communist developing countries' repayments to the USSR in 1977 were greater than new aid received, such an increase would only just be sufficient to cover the expected level of repayments in 1980

Soviet assistance to non-Communist developing countries has traditionally concentrated on a few recipients, mainly in the Middle East and South Asia. The most important have been India, Turkey, Afghanistan, Egypt, Pakistan, Syria, Algeria, Iran, Iraq and Indonesia. Almost half of east European commitments to non-Communist developing countries between 1954-77 were for the Middle East : little aid was given to poor countries in Sub-Saharan Africa. In order of magnitude Turkey, Egypt, Iran, Syria, India and Algeria have been the main recipients of east European aid offers. Western aid in contrast has been spread over more than 100 countries.

Negative Flow

In relation to GNP, Soviet aid disbursements in 1977 were .03 per cent compared with .31 per cent for western industrialised countries. And while Soviet net disbursements in 1977 were worth $260 million, excluding Cuba and Vietnam, the flow was negative. Soviet contributions to world-wide institutions are limited to UNDP, UNIDO and UNICEF, and are extended in non-convertible currencies.

As a percentage of GNP, Chinese net aid disbursements averaged .11 per cent over recent years but have declined as a share in total aid receipts by developing countries, from over three per cent to one per cent. This trend is likely to continue. China offered no new aid to non-Communist developing countries in 1978, mainly because of internal economic needs, and the level of disbursements will be strongly affected by the cessation of aid to Vietnam.

Chinese aid terms have softened further in recent years, and since 1975 the total grant element has exceeded 90 per cent; loans are extended interest free. China has also been willing to-reschedule debts or to convert loans into grants if their repayment places too heavy a burden on the recipient country. The major part of China's aid is tied, though in some cases China has provided loans in convertible currency.

Despite some softening of Soviet financial aid conditions, they remain harder than those granted by DAC and OPEC countries. Soviet and east European aid is tied to goods and services in the donor countries and covers only the foreign currency portion o the aid projects. Since 197 the USSR, and to a lesser extent the east European countries, have occasionally provided debt relief but the USSR has so far refused to reschedule the debts of two

What Bonn gave in 1978

The Federal Republic of Germany's official development aid shows a definite increase over the previous year. Within the category ODA (Official Development Assistance) Bonn's development assistance in 1978 rose to 0.31 per cent of GNP (compared with 0.27 per cent in 1977). Over-all aid services reached a proportion of the Gross National Product amounting to 1.13 per cent (1977: 1.12 per cent).

From statistics now available for 1978, the following picture emerges. Within the ODA category, both the absolute value of services and services measured in proportion to Gross National Product have risen. These were the major changes in comparison with 1977; in the latter year, the entire bilateral aid increased by 30.3 per cent. Within this area, financial cooperation (credits given by development-agencies) showed the steepest rate of increase, achieving a 52.6 per cent rise. Technical operation increased in 1978 by 12.7 per cent; in the sphere of multilateral aid by 3.9 per cent (which corresponds to a 21.4 per cent share of the entire governmental development aid). Meanwhile, development aid made available by the Federal Republic of Germany's private economy in 1978 remained at about the same value as in 1977, although the value of both direct investments and guaranteed export credits rose last year.

Private development aid from non-governmental organizations, a field in which the Federal Republic of Germany has been at the top of the list of all donor-countries for years, again showed a sharp rise—of 9.1 per cent—in 1978.

Minister for Economic Cooperation, Rainer Offergeld comments: "After three years of a decreasing share of development assistance in the gross national product, last year we achieved somewhat of an increase. Following the latest cabinet decision on aid, during the forthcoming budget discussions we shall be proceeding on a basis of the already-planned high rates of increase in the development budget.

"I hope it will not be lost on the developing countries in Manila (at the UNCTAD V session now underway) that what we have here is more than simply a cosmetic operation."

The Federal Republic of Germany's services to developing countries and its multilateral contributions in 1977 and 1978 (in millions of DM).

	1977	1978
Governmental cooperation	3,218.0	3,976.0
Other official aid	141.6	445.5
Private development aid	522.3	570.3
Services of the private economy	9,476.2	9,445.8
Over-all services	13,358.1	14,446.8
of which, public	3,395.6	4,421.5
of which, private	9,998.5	10,025.3
Share of the GNP in per cent		
a) Over-all services	1 12	1.13
b) Public services	0.27	0.31

main recipients—India and Egypt.

Loan Repayments : Repayments on Soviet loans are made in goods or local currencies, or occassionally in convertible currencies. In principle, the USSR accepts repayment in the form of local goods at world market prices but several recipient countries have complained about arbitrary pricing practices, claiming that Soviet goods were overpriced by international standards and their own deliveries undervalued. The USSR paid well under world market prices for Afghan and Iranian gas in the early 1970s, and though a new price was negotiated for Guinean bauxite in 1977, this only brought Guinea two-thirds of the world market price. Sri Lanka has been dissatisfied with the high cost of surveys undertaken by communist countries compared with the price charged for similar work by western companies.

New Nigerian quoted by Lagos radio on March 2 1979, also complained about prices, referring to the "alarmingly high" cost of Russian expertise in helping to establish an iron and steel industry at Abeokuta. Markandy Katju, President of the All-India Democratic Lawyers' Association, said in an article in the New Delhi weekly *Organiser* (March, 1979) that India had been charged well above international prices for the Bokaro steel plant and the oil refinery at Barauni

Some rceipient countries have complained about the exchange rates used by the USSR for the settlement of debts in local currencies. However, India undertook to repay her debts to the USSR at an exchange rate of 10 rupees to one rouble instead of 8.33 rupees to one rouble in an agreement reached in November 1978, and this represented a devaluation of the rupee by only 20 per cent against the rate used since 1966.

Types of Aid : Soviet and east European development assistance has traditionally been heavily project-orientated with special emphasis on large industrial and infrastructure projects, which represent more than three-quarters of the total aid programmes. As yet the USSR and eastern Europe have shown little interest in gearing their aid to meeting "basic human needs" in the poorest countries, for instance by supporting labour-intensive, small-scale industrial and agricultural projects.

A new feature in international aid-giving has been cooperation on certain projects between Communist and DAC and OPEC donors. The Soviet Union, for example, is setting up three textile mills in Afghanistan in cooperation

The Canadian record

After having reached 0.55 per cent of Gross National Product (GNP) in 1975, Canada's Official Development Assistance (ODA) net disbursements have declined in relation to GNP. In 1977, the volume of ODA amounted to US $992 million and 0.50 per cent of GNP. In 1978 it amounted to approximately 0.52 per cent of GNP. There is also the prospect of a decline in the percentage of ODA within the Canadian GNP following the severe restrictions on budgetary expenditures which the Federal Government decided in 1978. The reduction in the planned expenditure, however, may be an unavoidable response to temporary difficulties.

The financial terms of Canadian ODA continue to be highly concessional, with an overall grant element of commitments of 97.5 per cent in 1977 (97.3 per cent in 1976). ODA extended to the Least-Developed Countries has been entirely in grant form since 1977. The terms of loans were among the most concessional in the DAC (89 per cent grant element), the bulk of the loans being extending interest-free for 50 years.

The share of multilateral contributions in Canadian Official Development Assistance reached the exceptionally high level of 52 per cent in 1977 (against an average of 35 per cent during the preceding two years), following advance payments made to the IDA and to the Asian Development Bank. Following an intensified commitment activity, bilateral disbursements had increased substantially in 1978 and that consequently the share of multilateral assistance in ODA returned to approximately 40 per cent.

Within the bilateral programme, in line with the Development Cooperation Strategy 1975-80, a high priority was given to the poorer countries, as well as to overcoming obstacles to the satisfaction of the needs of the least privileged parts of the population in the recipient countries—often in cooperation with non-governmental organisations. An increasing share of bilateral ODA was extended in the form of project aid in the sector of agriculture.

For the fourth consecutive year, Canada's total net official and private flows of financial resources to the developing countries exceeded one per cent of its GNP. At US $2.4 billion in 1977, they represented 1.24 per cent of GNP.

Volume: Canada's Official Development Assistance (ODA) programme is the fifth largest among DAC countries in absolute terms. Net disbursement in the seventies have been as follows:

	1970	1974	1975	1976	1977
Canadian net ODA (US $m.)	346	713	880	887	992
(% of GNP)	0.42	0.48	0.55	0.46	0.50
DAC average (% of GNP)	0.34	0.33	0.35	0.33	0.31

Terms and conditions: Grants represented 77 per cent of total ODA commitments in 1977. Canada operates two sets of loan terms (at 91 and 55 per cent grant element) with additional differentiation achieved through a mix of grants and soft loans in the case of poorer countries. Present regulations on procurement allow for the untying of multilateral assistance, transport costs and 20 per cent of bilateral assistance, but in recent years the facility for bilateral untying has not been fully taken up, either to finance local costs or to finance procurements in third countries.

Camposition of the aid programme: Canada's ODA consisted in 1977 of the following main categories:

Bilateral assistance of which	48 per cent of net disbursements
—Loans	19 per cent
—Food aid	9 per cent
—Technical assistance	6 per cent
—Other grants	14 per cent
Multilateral assistance	52 per cent

Geographic distribution: Some 88 countries received bilateral ODA from Canada in 1977; 27 were so-called "programme countries" (or programme units like the Sahel). where aid is planned on a long-term basis (5 years indicative planning figures), and the remainder "project countries", which received aid on a project-by-project basis. Major overall recipients in 1977 were Pakistan, Bangladesh, India, Sri Lanka, Malawi, Ghana and Indonesia. 27 per cent of bilateral aid in 1977 went to least-developed countries (DAC average 15 per cent) and 60 per cent to countries below $400 per capita GNP.

Administration: Canad's official development assistance is administered by the Canadian International Development Agency. Aid policy is formulated by CIDA in conjunction with other government departments such as External Affairs, Finance, the Treasury Board, Agriculture and Industry/Trade/Commerce. Other Canadian institutions connected with the aid programme are the International Development Research Centre (IDRC), Canadian University Service Overseas (CUSO), which sends out volunteers, and the Export Development Corporation (EDC), whose main function is to extend afficial export credits (not recorded as ODA) and which cooperates occasionally with CIDA in joint or parallel financing.

Other resource transfers: Non-ODA flows amounted to $1,431 million in 1977 corresponding to 0.74 per cent of GNP. Other official flows of $311 million consisted almost entirely of official export credits extended by the Export Development Corporation, while the major part of private flows consisted of direct and portfolio investment. Grants by voluntary agencies, estimated at $103 million, were at 0.05 per cent of GNP, one of the highest proportions for DAC members.

with West German enterprises and with finance provided by Iraq. Similarly, Romania is extending an oil refinery in Pakistan with a Saudi Arabian credit.

Most Soviet project assistance is to help industrial production capacity. Karachi radio reported on July, 28, 1978 that a $244 million economic agreement had been signed between the USSR and Pakistan concerning further assistance for the Karachi steel mill. The three-part protocol provided for new credits, rescheduling of previous debts and the utilisation of unused existing Soviet credits.

Long-term economic cooperation agreements signed between the USSR and India on March 14, 1979, during the visit of the Soviet prime minister, Mr Kosygin, include promises of Soviet help for the development of India's energy and mineral resources, including the exploitation of coal, oil, natural gas, cobalt, copper, tin, titanium, magnesium, silicon and diamonds. Three oil refineries and two steel mills are to be expanded by the USSR, and a new steel plant is to be set up at Vishakhapatnam in Andhra Pradesh, its entire output being exported to the USSR.

Italy: mixed fare

Net official development assistance disbursements (ODA) by Italy remain at a very modest level and are tending to fall still further as a percentage of GNP. In view of the almost total absence of new development loans, Italy's ODA consists essentially of contributions to multilateral organisations and the bilateral technical cooperation programme. At $186 million net ODA disbursements accounted for only 0.10 per cent of GNP in 1977, i.e. the lowest percentage among DAC countries. On the other hand, total official and private flows showed a substantial increase (+35 per cent), reaching $2 billion and exceeding one per cent of GNP.

A new act on "Co-operation with the Developing Countries" had recently been adopted by the Italian parliament for the period 1979-1983. This act provides for the creation in the ministry of Foreign Affairs of a department for Co-operation with the Developing Countries bringing together a number of previously scattered responsibilities. It authorises the government to undertake development projects in a number of sectors such as agriculture, industry and tourism. It also provides for the extending of loans on concessional terms, and the creation of a "Special Fund for Development Co-operation" endowed with budgetary resources amounting to Lire 300 billion (approximately $340 million) for the period 1979-83. It appeared nevertheless that the additional resources provided for under the new Act were not sufficient to ensure that ODA will increase rapidly as a percentage of GNP.

Volume of aid : Since 1960, Italy's net ODA disbursements have fluctuated between 0.09 per cent and 0.22 per cent of GNP.

	1960	1965	1970	1975	1976	1977
$ million	77	60	147	182	226	186
% of GNP	0.22	0.10	0.16	0.11	0.13	0.10
DAC average	0.51	0.44	0.34	0.35	0.33	0.31

Financial terms of ODA: Because of the virtual absence of bilateral loans, the concessional element of total ODA commitmentsto developiag countries and multilateral institutions (including debt reorganisation operations) amounted in 1977 to 97 per cent.

Composition of ODA: In 1977, 81 per cent of Italy's net ODA disbursements were in the form of contributions to multilateral organisations, while 19 per cent consisted of bilateral contributions (mainly technical assistance and food aid).

Geographic distribution of aid: In 1977, the main recipients of Itaty's net disbursements of bilateral ODA were India, Somalia, Pakistan and Libya. Technical cooperation was extended to almost 80 developing countries, Somalia being the main recipients with $6.7 million.

Other transfers of financial resources to the developing countries: Official flows (excluding ODA) and private sector flows amounted to $1.8 billion in 1977. Their composition was as follows:

Other official flows	$216 million
of which:	
Export credits	63 ,,
Bilateral loans	134 ,,
Private flows	1,587 ,,
of which:	
Direct investment	162 ,,
Export credits	1,420 ,,
Grants by voluntary agencies	1 ,,

Most of the new east European aid offered in 1978 was also connected with industry. Rangoon radio reported on January 12, 1978 that Czechoslovakia had agreed to give Burma a $140 million loan to buy Czech machinery and equipment for the manufacture of tractor plants, tyres and diesel pumps. Czechoslovakia also granted Ethiopia a loan of $44.6 million for industry (Voice of Revolutionary Ethiopia, February 4, 1978), and Afghanistan a credit to develop coal mining (Kabul radio, May 16, 1978).

Chinese Aid

Chinese aid is concentrated on immediately productive medium and small-sized projects mainly in light industry and food processing, some infrastructure projects (mainly railways, roads and ports) and agricultural development. Unlike Soviet and east European aid, Chinese assistance frequently covers local costs.

Military Aid: Communist arms sales to developing countries reached a near-record $4,200 million in 1977 and arms deliveries a peak of $3,600 million, mainly due to large sales to traditional clients and massive support for Ethiopia, according to American official sources. Only in 1974 were military sales higher.

In 1977, as in previous years, the USSR accounted for the bulk of the communist programme (95 per cent of sales and 91 per cent of deliveries), and continued as the largest arms supplier to developing countries after the United States. East Europe and China contributed $220 million in new arms agreements.

Arms Sales

Five clients—Syria, Algeria, Ethiopia, India and Libya—accounted for 90 per cent of Soviet arms sales in 1977. Military agreements with sub-Saharan Africa, which rose to $850 million in 1977 (triple the level of 1975, the year of the Angolan fighting) represented the largest Soviet commitment ever made to Black Africa. India's cumulative militry purchases from the USSR stood at $3,000 million at the end of 1977. Iraq, Libya, Syria, India and Peru were the top five recipients of Soviet military equipment deliveries in 1977, Ethiopia and Algeria also being major recipients. The $3,300, million worth of military equipment shipped to developing countries in 1977 represented almost seven times the Soviet Union's annual deliveries in the late 1960s and almost twice the average 1970-76 deliveries.

The USSR made few known financial concessions to large clients in 1977, either in pricing arrangements or repayment terms. In all, the USSR will gain about $1,500 million in hard currency from 1977 arms sales—earnings that may reduce pressures on the USSR to cut back on badly-needed equipment and semi-manufactures from the west.

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BECAUSE INDIA IS NOT FOR BURNING

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THE STATE OF WORLD POPULATION

LURE OF THE CITY: World urban population has doubled since mid-century and may well double again before the century is over – *1979 State of World Population Report from U.N. F.P.A.* (photograph by Mark Edwards).

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Umbrella is out

THE BHEL-Siemens collaboration project has been tossed around like a ball of wool thrown among a litter of kittens to play with. This has not added to the happiness of Mr George Fernandes. Although, in a sense, it is a baby left on his doorstep, he has been strutting about in the glory of fancied paternity. If, however, his magnificent obsession has been downgraded into the gossip of the market place, he has only himself to blame. The crude and clumsy manner in which he crusaded for the project was tailor-made for the purpose of arousing suspicion all round. In several ways this is a pity. For one thing much precious time has been lost and this is altogether regrettable since the comprehensive upgrading of technology at BHEL is a matter of tremendous urgency for the power development programmes of the coming years. Of still graver import is the coming into play of political pressures, both domestic and foreign, which could possibly influence the ultimate decision; one could hardly get a wink of sleep these days in New Delhi for the din of lobbies clashing. Not all these lobbies have been political in complexion—there has been lobbying by commercial interests also.

One of the more ludicrous aspects of this affair was the sterile debate over the dimensions of the gains to Siemens from the collaboration project. The critics and the objectors, conscientious or otherwise, laboured hard to prove that the collaboration scheme would hand over to Siemens the Indian market for heavy electrical equipment for years and years to come. The protagonists foolishly thought that they could best meet this assault on the collaboration scheme by arguing that all the gains from the project would be BHEL's and that Siemens were virtually extending themselves in an act of limitless philanthropy. It would not have mattered had this debate merely made its participants look ridiculous. Unfortunately it turned the spotlight on the immaturity of much of our thinking on the sophisticated issues raised by transfers of advanced technology from a highly industrialized community to one where progress in R & D is still largely elementary, particularly where intellectual attitudes are concerned.

Apart from the merits of the case, much of the opposition to the project came from those who hoped that successful resistance to it would inflict serious political damage on Mr Fernandes. Once again, he has to thank himself. His strident advocacy had all the finesse of a stampede by a herd of wild buffaloes. Indeed his demagogy overreached itself when he raised this issue to one of political significance in his behind-the-scene briefings to certain obliging gentlemen of the press. There was, however, never any possibility of Mr Fernandes resigning in the event of his failing to carry his cabinet colleagues with him. The president, Mr Sanjiva Reddy, had shrewdly assessed the situation quite some time ago. It may be recalled that he said in effect that ministers threatening to resign were only seeking to provide "copy" to newspaper columnists or correspondents. Mr Fernandes, therefore, is unlikely to be a casualty of his misadventure. It remains to be seen who will be paying for it one way or the other. There may be a shake up in BHEL and there could be an upset even in the Industry ministry.

If Mr Fernandes will not be a casualty, he is most certainly not the hero either of this episode. That honour belongs elsewhere—to more than one as in a multi-starrer from Bombay's film world. Mr P. Ramamurthy, Dr Subramaniam Swamy and Mr Jyotirmoy Bosu, among others, have perhaps been feeling an inch taller, more sprightly than ever and a few kilos heavier respectively. These, however, are matters which are important only to the individuals concerned. What is of interest to the country now is that not much time should be spent on the cabinet processing the collaboration project between BHEL and Siemens. The cabinet sub-committee, which has examined the proposals for an "umbrella" type of collaboration, has decided, on the advice of a committee of secretaries of ministries, to opt for a product-by-product collaboration agreement. It has directed the Foreign Investment Board to process the project on the revised basis. There should no more be any politics in the working out of a scheme which will secure to BHEL, on reasonable terms, clearly needed know-how from one of the world leaders in heavy electricals. Finally, there is an important lesson to be learnt. It is not always good to regard all deals between government and foreign parties with suspicion or speculative distrust. The politicians now in power should particularly beware of poisoning the atmosphere by making allegations casually against transactions concluded with foreign parties by their political opponents in the previous government This kind of game is one at which two can play.

Police unrest

The seven-point consensus arrived at during the day-long deliberations last week of the state chief ministers on resolving the agitation of policemen in several states in the past few weeks, undoubtedly, contains some wholesome features. But it remains to be seen whether it will wholly satisfy the agitating constabulary. The chief ministers generally agreed on improving the working conditions of policemen, stepping up of their emoluments, construction of more houses for them, the abolition of the demeaning orderly system, allowing them to form associations and setting up of a suitable machinery for the redressal of their grievances expeditiously. Yet, even though they recognised that political interference was "bad", they dragged their feet in this regard and only expressed the pious hope that steps should be taken to moderate it.

As the Home minister, Mr H.M. Patel, observed at the above deliberations, political interference was perhaps the proverbial last straw on the camel's back which triggered off the police agitation in Punjab—the first state to be affected. The dithering of the chief ministers on this issue is rather unfortunate. Political interference has not only been at the ministerial level but has also grown over the years to such an extent that even the lowly functionaries of political parties have been acting as overlords to the great annoyance of everybody.

judicious suggestion

The suggestion in this context that the chief ministers at the state level and the prime minister or the Home minister at the central level should hold consultations with the opposition leaders to moderate political interference, of course, is a judicious one. But it can succeed only if the present trend towards politics of confrontation in the country is contained. Perhaps 30 years of democracy are not sufficient for evolving healthy conventions and traditions on the lines of the British democracy. But, surely, as we have to compress the developed countries' growth of decades into years, we cannot afford to go slow in evolving healthy conventions for democratic functioning.

It has been well appreciated that the neglect of the police force all through the post-independence era during which the demands on this force have grown abundantly, needs to be rectified expeditiously. No country can afford to remain complacent over dissatisfaction amongst its uniformed forces. The long working hours—on an average 14 a day—which the policemen have to put in and inadequate weekly rests allowed to them have apparently to be compensated for either in cash or kind. The consensus arrived at the chief ministers' meeting seeks to strike a via media between the two methods. While it has been agreed that a weekly holiday should be ensured to all policemen, additional leave of a certain duration should be allowed in lieu of the public holidays and this should be made encashable. A few more days of casual leave too may be allowed. But no payment of overtime is to be permitted. The orderly system is to be abolished.

The above improvements in the working conditions of policemen can be expected to be given effect to in the near future. The question of their emoluments as well as provision of additional housing facilities, however, may take some time. The first issue is being looked into by pay commissions in various states. Their recommendations may be available some months hence. But some ad hoc increase in emoluments should be possible. In fact, it has been granted by some states already in the wake of the concessions announced by the Punjab government. An increase in the emoluments of police constabulary is not only warranted on account of the fact that the recruitment now aims at inducting into this force more educated persons—the minimum qualification being matriculation—but also in view of the serious inflationary tendencies that have had a telling impact on their meagre wages. The increase in per capita income too has to be reflected in their emoluments.

untenable proposition

It, of course, has been categorically stated by Mr Patel—and quite appropriately—that the state governments will have to fend for themselves in this regard and no central assistance will be available for the purpose. Uniformity in the pay-scales of policemen all over the country obviously cannot be expected. There are different pay-scales in different states even at present and the state governments have to meet the additional burden from their own sources.

The criticism of the Punjab government that the concessions announced by it are over-generous, cannot be justified if it is recognised that the per capita income in the state has to have some relationship with the emoluments or the incomes of the various sections of society in the state. As the chief minister of Punjab, Mr Prakash Singh Badal, has clarified, the tota emoluments of a policeman in his state even after the increases announced, ar still lower than in some other states, despite the fact that the per capita income i Punjab currently is the highest in the country. A more important point that need to be appreciated is that a skilled worke in Punjab currently is not available eve at Rs 20 a day. In such circumstances, i apparently is difficult to find new recruit to the state police force if the emolument of policemen are not related the income levels of the other sections of society.

The solution to the housing problem of policemen may take even longer. The seventh Finance Commission has made a special allocation of Rs 83 crores for the housing of the police force in different states where the percentage of housing does not exceed 58.7. This percentage has been achieved only in the case of a very few states. No special allocations have been made in the case of these states. It has been agreed now that both the centre and the states should endeavour to step up allocations for housing to achieve the target of providing accommondation to 75 per cent of policemen in the next five to 10 years. The state governments have also been advised to explore the possibilities of securing some funds from financial institutions for this purpose.

The proposal to allow the formation of associations by policemen, obviously could not be objected to as under a central legislation of 1966, the right of all, including policemen, to form associations, is recognised. The National Police Commission too has expressed itself in favour of this proposal—of course, with some constraints which include: (i) prior approval of the higher authorities for the formation of associations, ((ii) abjuring of strikes and go-slow tactics, (iii) prohibiting of outsiders from holding any office in these associations, etc.

checking unionism

It has, however, been categorically stated that the associations will not be allowed to merge into any regional or all-India confederation. Such associations exist at present in the states of Uttar Pradesh, Bihar, West Bengal, Tripura and Kerala. Some chief ministers expressed themselves against the formation of these associations on the ground that they would degenerate into trade unions. Care, therefore, will have to be taken to obviate this unhealthy development.

A new machinery, it has been agreed, should be set up for the redressal of the grievances of policemen within reasonable periods. It is to be a two-tier machinery. At the state level, the chief minister himself will head this machinery which will look into the grievances of policemen in consultation with their associations. At the district level, it might be headed by the senior-most police official. The successful functioning of this machinery should help in obviating the degeneration of associations into trade unions, unless, of course, political influences or designs come into play. There appears to be a feeling in some northern states that there was a specific design behind the recent agitation of policemen there. A thorough probe into this is called for.

Generous gesture

A GOOD deal of satisfaction is being expressed here over the outcome of the last week's meeting in Paris of the Consortium for Aid to India, which, besides the World Bank and its affiliate the IDA, the International Monetary Fund and the United Nations Development Programme, consists of Austria, Belgium, Canada, Denmark, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, Norway, Sweden, the United Kingdom and the United States. The vice-president of the World Bank for the south-east Asian region. Mr David Hopper, had indicated on the eve of the above meeting that the consortium could be expected to maintain its assistance this year for our economic development programmes around the same level as that of the last two years—pledges around $ 2.5 billion, gross disbursement around $ 1.8 billion and net disbursement in the neighbourhood of $1.2 billion. The pledges already made by the member-countries and the World Bank aggregate to nearly three billion US dollars. Two countries, the United Kingdom and Canada, where new governments have taken the reins of administration recently, have yet to announce their commitments. Even if they maintain their assistance at the last year's levels, the total of the pledges should go up to around $3.4 billion. This will be a new record in the assistance from this source. Even though, there has been approximately 10 per cent rise in world prices last year and inflationary tendencies continue to persist unabated this year, the total pledges, including those of the United Kingdom and Canada should mark a substantial improvemen even in real terms.

C.F.T.R.I.

The World Bank has pledged aid for the current year to the tune of $1.9 billion as against $1.25 billion last year. Almost all the other countries have also stepped up their commitments. The United States, for instance, has announced an increase of $45 million over the last year's level of $90 million. Austria has nearly doubled its oommitment to almost $6 million from just over $3 million last year. Significant increases have been announced by the Netherlands, Japan, the Federal Republic of Germany and the EEC who have pledged $117 million, $154 million $192 million and $134 million, respectively.

An overwhelming proportion of the aid committed, however, is to be in the form of project assistance as in the recent past. But our plea for a change in the aid-mix has been well appreciated by the members of the consortium who may consider provision of non-project aid to a larger extent next year. The case for more non-project aid is based on the deterioration in our balance of trade position last year—which trend is likely to persist for some time in view of the mounting oil import bill—as well as on the ground that this type of assistance can be utilised more expeditiously than the aid tied to specific schemes and programmes.

slow utilisation

Evidence of the slow pace of aid utilisation particularly during the last year is available from the fact that even though the total commitments during the last two years have been approximately at the some level, the assistance in the pipeline increased to Rs 3,840 crores as on April 1 last from Rs 2,878 crores on April 1, 1978. The slow utilisation last year was primarily in respect of projecr aid : non-project assistance was more or less fully consumed. According to the Secretary for Economic Affairs in the ministry of Finance, Dr Manmohan Singh, the utilisation of aid this year will pick up substantially. But this largely depends on how quickly the projects to be assisted are finalised. The other hurdles in the implementation of these projects too have to be obviated.

In line with the increased commitments, the gross disbursement of aid by the consortium this year is expected to be around Rs 1,671 crores, as against Rs 1,266 crores last year. After providing for debt servicing—the repayment of principal and the payment of interest—the net disbursement is anticipated to be around Rs 820 crores, as against Rs 384 crores. This year's aid pledges, of course, do not include any element of debt relief.

The precise projects to be assisted by the donor countries are to be decided in consultation with them. A large majority of them will be in the fields of irrigation, power, rural development and rural water supply. The assistance from the World Bank is to be used for the manufacture of fertilisers, the laying of the Gujarat gas pipeline and some agricultural projects, besides for projects in the above sectors. A World Bank team is expected here shortly to discuss the financing of the Gujarat pipeline which will transport Bombay High gas to the state. The thermal power stations to be assisted by the World Bank include the one proposed to be set up at Farraka and the Singrauli stage II scheme.

creditable performance

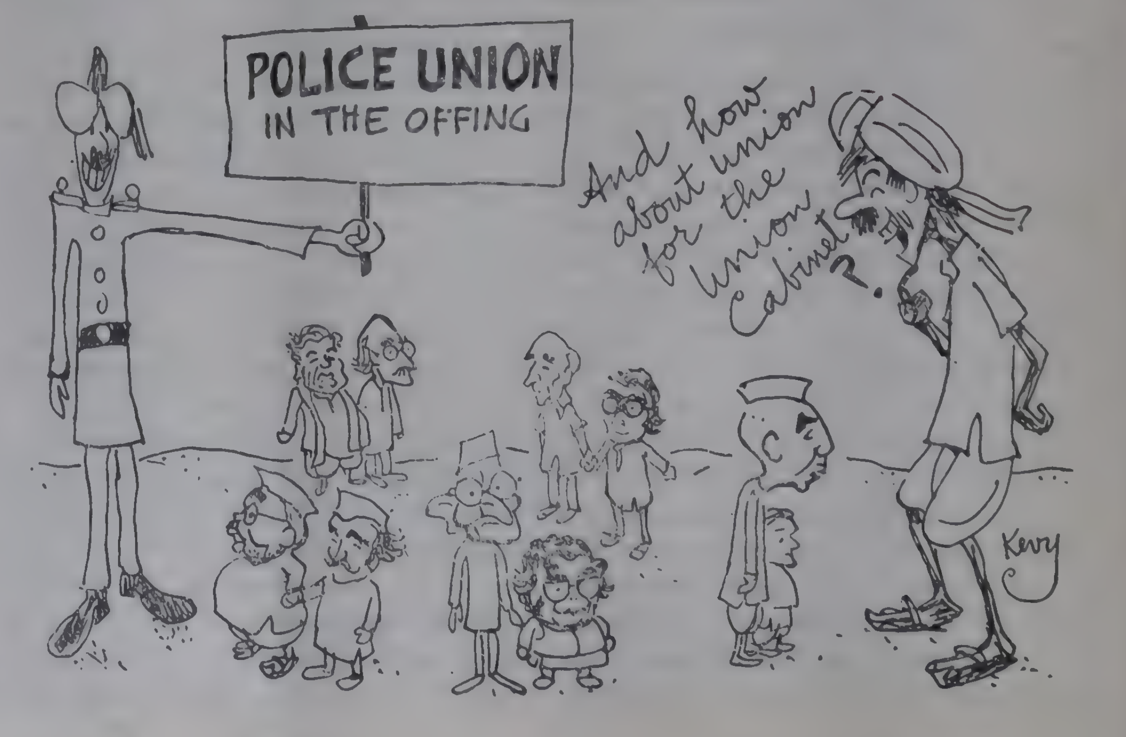
The increased aid from the consortium is claimed to be a reflection of its confidence in the performance of our economy, which, in the assessment of the World Bank, is approaching the take-off stage. To some extent, pledges have been raised also in recognition of the likely shortfall in the overall resources that might be available for the implementation of the current five-year Plan. That this impression is not unjustified should be evident from the fact that the increased commitments have been made by the consortium-members knowing fully that our foreign exchange reserves continue to be comfortable at over Rs 5,000 crores, despite the last year's trade deficit of nearly Rs 1,062 crores. While there has been no decline as yet in the remittances by Indians abroad, it is generally felt that they will at least level off in the near future. Unless exports are stepped up substantially, the free foreign exchange resources may start dropping in view of increasing import requirements.

Bonus : bonanza for liquor

In his presidential speech at the annual general meeting of the Indian Tea Planters' Association, held at Jalpaiguri on May 19, Mr N. Daga highlighted the need for trade unions in the tea industry playing a constructive role. He said that "the happenings over the bonus issue last year came as a great shock to us" because the workers were instigated to make "unlawful and unreasonable demands". What was even more regrettable was the fact that, immediately after the last bonus payment, about Rs 40 lakhs were spent in an average township in the tea area, of which some 60 per cent was spent on liquor.

Mr Daga said that, despite the increase in wages and improvement in living conditions of workers, there was no inclination on their part to put forth their best efforts. The daily wage of the worker is now Rs 6.30. Besides, he enjoys many perquisites and facilities and all these are expected to be improved in the near future. But the trade unions have not made any attempt to ensure better discipline. Mr Daga complained that "the continuing inter-union rivalries, the stoppage of work on the flimsiest grounds and the general indiscipline have virtually become synonymous with the general pattern of tea garden life." He also referred to the "resurgence of uglier activities-often perpetrated by outsiders with or without inside connivance which are seldom being brought to book, no matter however grave the nature of the crime might be."

Indian tea is facing stiffer competition in the world markets. In 1978, Sri Lanka is reported to have displaced India as the world's leading tea exporter, accounting for 192 million kg compared to 160 million kgs by our country. There is therefore an imperative need for the Indian tea industry improving its competitive capacity. Both the central and state governments have to adjust their policies suitably as to enable the tea companies to operate profitably. According to Mr Daga, the sale of tea in 1978 79 fetched an average price of Rs 11.81 per kg which was nearly Rs 2 per kg lower than in 1977-78. The Siliguri auction average was only Rs 10.81 per kg, while the average cost of production was about Rs 11 per kg. He estimated that the provisions of the central and state budgets for 1979-80 as well as the anticipated increase in wages and other benefits were likely to result in raising the cost of production by Re 1 per kg. He disclosed that some 60 per cent of the


POLICE UNION IN THE OFFING
And how about union for the Union Cabinet?
Kevy

relatively marginal and smaller gardens actually incurred losses in 1978 and that only 40 per cent either broke even or made a profit.

The trade unions should understand the implications of these figures and refrain from activities which are likely to create more problems for the tea companies. For instance, resort to go-slow by workers will seriously hurt the economy of the industry. Mr Daga described go-slow as "far worse than a strike or closure" because it adversely affects the tea bush and saps its strength for a long period. The governments of West Bengal and Assam should also review their policy of taxing the tea industry. Mr Daga referred to the "deep depression" in the tea market and to the fact that the season had ended with over 100 million kg of unsold stocks. The industry can double its production by the year 2000 only if both government and labour adopt a more positive attitude towards its problems.

Coffee break

THE SUSPENSION of exports of coffee by Brazil temporarily, following reports of damage to the plantations due to serious frost, have given rise to visions that the boom witnessed in 1976-77 may again be in evidence. The coffee producers in Karnataka, Tamil Nadu and Kerala have a fairly good time as compared to their counterparts in the tea industry. After the boom of 1976-77 there has been no burst as in the case of tea. With the production of the latter beverage running at record levels in the southern region and highly un-remunerative prices for the commoner sorts, nearly all tea estates are suffering losses. But for the fantastic profits realised in 1977 and moderate earnings in 1978 the effects of the current slump could not have been endured by the estates. The troubles have been magnified by the delay on the part of the government in reducing the export duty on tea in September last year and subsequently abolishing it early this year. The huge carryover and loss of business to other countries during the period, when the export duty made it uncompetitive for Indian exporters to transact business, have heightened the difficulties of the industry. It is now hoped that there will be a favourable turn in fortunes because of the low level of London stocks and the prospect of dearer coffee.

The coffee producers have had the advantage of Brazil and Colombia dominating the world market and preventing effectively the moves of the major consumers to depress prices. With suitable regulation of exports, a sharp dip in the quotations in the London market has been averted. As there is also the loss as a result of frost in Brazil, Indian coffee has been fetching fairly remunerative prices. The extent of damage to Brazilian crop has not yet been assessed. Some estimates place the loss at 20 per cent. It is also stated that the damage will really be in respect of 1979-80 crop and not the current crop. The position will become clear by July. In the meantime, there is a cautious upswing in prices for near positions in London and a premium for far forward deliveries is yet to be established as was done in the earlier boom.

For us the latest developments are advantageous. Higher prices have been fetched at the export auctions and quantities offered are being lifted with difficulty. The export duty of Rs 400 quintal is not having any hurting effect slightly higher prices are also realised internal sales.

The shipments of coffee in 1979-80 ca not however be maximised to the exte as in 1978-79, without drawing on carr over stocks. The previous crop cons tuted an all-time record at 1.22 lal tonnes. The foreign exchange earnin through shipments of 58,818 tonnes 1978-79, were however only aroun Rs 141.68 crores while there were expor of 55,827 tonnes in 1977-78 with a valu of Rs 230.25 crores, an all-time hig With internal consumption aroun 46,000 tonnes there is fairly a large carry over from the previous crop. The yiel of current crop is estimated at 1.05 lak tonnes. Even if internal consumptio increases to 48,000 tonnes the balanc of 57,000 tonnes can be exported an the quantity can be augmented by even 5000 tonnes by using part of carry-over stocks.

The next crop is bound to be higher again at 1.25 lakh tonnes with

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satisfactory blossom showers. A careful watch will have to be maintained on the trends in world coffee prices as there may be important developments in the next few months. The extent of rise in world prices is determined by the extent of damage to the Brazilian crop. With Colombia also regulating its shipments the chances of a premium may emerge for later deliveries if Brazilian exports have to be curtailed. If a gross price of Rs 35,000 can be realised on exports in the coming months, foreign exchange earnings through coffee can be nearer Rs 200 crores than Rs 175 crores. With Indian coffee in good demand in export markets for blending purposes the improved financial position of the industry should be fully utilised for increasing production at a faster rate than has been achieved so far. Karnataka, Tamil Nadu and Kerala have a special responsibility in this regard.

Troubled waters

POLITICS AND pettifogging have been standing in the way of fruitful and speedy utilisation of Kaveri waters between the major riparian states. The obsession over protecting or enlarging the share of each state has been preventing even the implementation of sensible and highly productive hydel projects such as the Hogenekal on the Karnataka and Tamil Nadu border. Annoyed over the delay in arriving at a settlement and unwillingness of the Tamil Nadu government to adhere to the 'accord' of 1976, the Karnataka government has even raised an untenable objection to the execution of the lower Mettur project.

This scheme envisages the construction of four barrages across the river below the Mettur dam at intervals of 8/9 kilometres with a view to utilising the drop below the dam for harnessing the additional potential. Two generating sets of 15 MW each of the tubular type will be installed in each barrage and the whole scheme is estimated to cost around Rs 80 crores. The work on this project has recently started and it is confidently expected that power can be generated in three to four years at a cost which will be much cheaper than that of thermal stations even allowing for higher capital expenditure. Even though the tail race waters of the Mettur tunnel and base power stations in the existing dam will be used and the irrigation discharges will govern the volume of the flows, it is reckoned that additional power will be available to the extent of 500 million units annually.

ingenious scheme

The Mettur tunnel scheme itself is ingenious in construction as the irrigation discharge is diverted through the tunnel to feed four 50 MW sets and the cost of power generated is the lowest in Tamil Nadu. With satisfactory storage in the reservoir in recent years the tunnel power station has been highly productive though the capacity is being utilised only seasonally. The harnessing of the tail race waters was contemplated quite some time back. But the technical problems had to be sorted out and with new generating sets the maximum advantage can be derived out of a short head and the weight of heavy mass of water in the barrage. When this project is completed the hydel units in the Mettur area will be accounting for nearly 20 per cent of hydel generation in the state.

The Karnataka government has strangely objected to the construction of the barrages and power houses presumably on the score that the use of Kaveri waters for this purpose will create a vested interest and delay the settlement of the outstanding dispute over the individual shares of the riparian states. By no stretch of imagination can it be said that the lower Mettur scheme is harmful to the interest of Karnataka. If there is storage in the Mettur reservoir and the generating sets under the tunnel scheme and the base power stations can function, the new units also can operate concurrently.

There is some validity in the objection to the construction of Hogenekal project as it has to be decided what should be the capacity of the reservoir and whether two dams should be constructed for taking advantage of the drop in the river in Karnataka and just below the Karnataka-Tamil Nadu border. The controversy unfortunately has centred over which state should undertake the project and who should derive the benefit of the generated power. Originally it was conceived that hydel capacity of 800 MW could be created. The Tamil Nadu Electricity Board has drawn up plans and even prepared preliminary cost estimates. For a time the dispute was over the location of the project. Subsequently the bogey about availability of water has been raised and even if the hydel project can be delinked from the dispute over sharing of waters, political opposition in Karnataka have prevented a sensible decision even though it appeared within the reach some months ago.

the wrangle

Even the 1976 'accord' gives a share of 489 tmc ft to Tamil Nadu against 177 tmc ft and 5 tmc ft for Karnataka and Kerala respectively. The total availability has been placed at 671 tmc ft. The wrangle is over the estimate of total availability and the use of water saved by better management in the deltaic region and the tapping of underground water resources. There is also controversy over sharing of waters in lean seasons apart from the use of surpluses out of floods. These controversies can affect only the estimates to the extent of 10/15 per cent and there is no reason why a project in the Hogenekal area of dimensions capable of implementation in two phases cannot be undertaken.

It is confidently stated that a capacity of 300 MW can be created with an expenditure of Rs 150 crores and power generated can be easily 1000/1200 mu annually. After the settlement of the dispute the capacity of the reservoir can be increased with the increase in the height of the dam or installation of test gates as was done in the Nagarjunasagar project in Andhra Pradesh. Political blinkers cannot be allowed to obstruct the implementation of sensible schemes when power generation is being lost on continuing basis and the waters are flowing down the river in the border area wastefully. The 10 years' cumulative loss is colossal.

Window on the world

En route to Havana

The consensus on UNCTAD-V at Manila was that it was a failure. The assessment by some at least of the participants in the Colombo meet of the Foreign ministers of the non-aligned countries was that it was a partial success. The recommendation in favour of the admission of Iran and Pakistan into the non-aligned group was a predictable consequence of the crumbling of CENTO, although some of the non-aligned countries were certainly having their mental reservations about the current regimes in Teheran (if that and not Qum is the capital of Iran) and Pindi. But, then, the non-aligned have always professed to practise the detachment of the Three Wise Monkeys with regard to the internal affairs of individual countries of the group.

As a curtain-raiser to Colombo, India's prime minister had declared that if the move of the Arab and other Muslim countries, opposed to the Egypt-Israeli peace treaty, to exclude Cairo from the forthcoming Havana summit were to go through, the government of India might not find it possible to take part in that summit conference. Since New Delhi's forthright support to the demand that a just solution should be found for the problem of Palestinian Arabs as an imperative of a viable peace in west Asia is recognized in the region, Mr Desai's stand is unlikely to be misunderstood in Arab capitals. At the same time it could help to secure credibility in Washington and even in Tel Aviv for the legitimacy of the historic Indian position on the Arab-Israeli dispute.

This apart, the main objective of the stand taken by India evidently is to help hold the non-aligned together by nipping in the bud any divisive tendencies within the group which could ultimately lead to its dissolution. The rationale for a club of the non-aligned is that countries which are not actively involved in big power politics should be able to present a common front to the attempts of power blocs to dictate the destiny of the world through a system of military alliances and confrontations. A necessary condition of such a hypothesis is that internal differences within the group should not be allowed to damage its collective authority or influence. India's position in respect of the issue of Egypt, however, may, in the judgment of many, have a flaw. Is it true any longer of Egypt that it is not directly and deeply involved in American diplomatic initiatives if not offensives, or military strategies in the west Asian region? With regard to Kampuchea, again, some delicate problem do arise because of Vietnam's own admission of the resistance still being offered by the troops of the Pol Po regime. India's prime minister had from the very start taken the just and sensible position that the government of India cannot officially recognise the new regime in Pnom Penh until it has demonstrably established its effective authority over the entire territory of Kampuchea. Having said this, New Delhi naturally has to be extremely circumspect in responding or reacting to the demand for the exclusion of the representatives of the Pol Pot regime from the Havana summit in favour of a delegation from the new regime. Indeed not many non-aligned countries have been able to adopt a clear-cut line either with regard to Egypt or Kampuchea and the deferring of decisions of these issues to the Havana summit itself is an indication of the complexity of the problems involved.

The Colombo meet seems to have encouraged, as these happenings generally do, some expansive thinking aloud if not tall talk. It has been proposed, quite seriously, that, since SEATO and CENTO have disappeared, other regional military alliances should take cue and perform a vanishing act. It does not speak highly of the realism of the non-aligned that these countries seem to believe that they could wish away the NATO or the Warsaw Pact in this simple fashion. Surely they ought to realise that non-alignment is becoming increasingly important for the peace of the world just because the two key military confrontations have threatened or are continuing to threaten the peace of the world and are becoming more and more distrustful of each other day by day. If the resultant tension could be eased at all, it is only through bilateral negotiations between the two super powers along the lines which recently led to the conclusion of SALT-II.

What the non-aligned countries should pray for is that the US Senate will go along with the Carter administration and ratify this treaty.

A certain amount of enthusiasm was also witnessed at Colombo over the possibilities of a regional economic grouping of the developing countries of Asia. It was argued that the indifferent results of UNCTAD-V lent meaning and urgency to such a move. But, surely, there could be in theory a case for such grouping even if the North had been generous and forthcoming at UNCTAD-V. It is in fact childish to suggest that the developing economies in Asia should come together in a huff to spite the industrial countries.

regional cooperation

A thesis for this regional economic cooperation has to be formulated in more positive and constructive terms. This is not too difficult, since there is a greater scope for economic and trade coordination among developing countries in Asia now than there was, say, in the fifties or even sixties, because of the divergences in agricultural and industrial development which have since come into being among these economies. The practical business of identifying a sufficient number of complementary features of significant commercial value in foreign trade of these countries will have to be taken up in an informed manner and pursued with patience. It is doubtful that Mr Atal Behari Vajpayee understands the implications, although he seems to have been more vocal than most at Colombo in advocating regional economic cooperation among the developing countries in Asia.

Oil threatens global recession

ONCE AGAIN oil prices are merrily leap-frogging ahead. And once again OPEC is coldbloodedly applying the tactics it initiated last December in a radical switch from its earlier policy objective of a high but fairly stable price : keep supply tight, clamp down surcharges individually, push up spot prices, and use these as the spearhead to lift the floor price to a significantly higher level.

The latest to join the parade of unilateral price increases is Libya which hiked its price by $2.31 a barrel and made it retroactive to May 27. This was in addition to a 70-cent-a-barrel increase Libya had imposed earlier in the month on its contract prices. With these two hikes it has earned, at least for the present, the dubious distinction of charging the highest price for OPEC oil from contract customers.

The new Libyan move came within a week after Algeria and Nigeria had raised their prices by $2.40 and $2.45 respectively. All three produce high-quality crude which normally commands a price premium. Almost all OPEC members, including Iran, Iraq and Venezuela, have raised their prices by sizable margins. The only exception so far has been Saudi Arabia, which accounts for about 30 per cent of OPEC exports. No wonder that speculation should now centre on the Saudi attitude as the cartel gets ready to hold another price-setting session in June.

To the dismay of the western world, that attitude has lately become increasingly equivocal. When Iran's supply was cut off prior to the Shah's dethronement, Saudi Arabia readily agreed to step up its output by about two million barrels to around 10 million barrels a day. This was not enough to make up for the loss of Iran's oil, about 5.5 million barrels a day, but without this extra production the situation would have been much worse. In any case, together with the oil in the stockpile, in the pipeline, and on the high seas, it provided a breathing space. And it was hoped that the Saudis would agree to raise their production by, say, another 20 per cent or so, to about 12 million barrels a day. In fact, there are reasons to believe that a fair amount of diplomatic pressure was brought to bear on them to that effect, but without much tangible result.

As the Iranian supply came back on stream, the Saudis cut back their own output by a million barrels a day on some patched-up plea; and more recently they have broadly hinted that they would like to slash it by yet another million barrels a day. They have cited technical reasons why production cannot be maintained at a level of 10 million barrels—not to speak of 12 million barrels—a day, although the reasons did not cut much ice with knowledgeable people. Later, the Saudis decided to reduce the quantity made available to Aramco (the Arabian American Oil Company consisting of four partners—Exxon, Mobil, Texaco and Standard of California), on the ground that their country had other obligations to meet, for example, supplying oil to a needy nation like Bangladesh.

an eye-opener

Putting the pieces together, it is not hard to see what the Saudis are trying to do, and not to do. They are no longer willing to oblige the USA by pumping out more oil to help meet its insatiable demand. The drama of Islamic revolution unfolding just across the Gulf has been an eye-opener for them. It has shed a lurid light on the ills and perils of modernisation at a breakneck pace, flooding the country with petrowealth and unleashing an uncontrollable inflation in the process, even though the Saudis—with their tiny and more docile population, huge cash flow, a desert economy, and an authoritarian tradition—should be less vulnerable than Iran to the stresses and strains of transition from a medieval to a modern state.

Moreover, just as Iran had spearheaded the quadrupling of the oil price that sent immediate shock-waves through the world economy while vastly enriching a handful of oil-exporting nations, it is now demonstrating to the other cartel members how to wield the oil weapon to even greater advantage. Unlike the Shah of Iran who wantonly indulged in industrial and military extravaganza financed with fast-depleting oil wealth, Ayatollah Rohallah Khomeine is jealously safeguarding "Allah's oil" for the benefit not only of the present, but also of the future generations. He is therefore determined to keep as much of this treasure underground as possible, mining and shipping just what is needed to finance Iran's normal development shorn of glamour projects and high-cost military hardware, while charging the consuming nations on the basis of what the traffic will bear, in short, to earn far more cash with far less oil. Most OPEC members, needless to say, embracced the Ayatollah's philosophy with alacrity. And this time even the sober Saudis did not find it too hard to join them.

Arab hostility

There is little doubt that what clinched the Saudi attitude is the Mideast peace as it has emerged under president Carter's prodding, sponsorship and, in its final stages, his personal brokering. The administration has grossly underrated the hostility it has engendered among the Arab nations including those who normally eschew extremism, such as Algeria, Morocco, Jordan and Saudi Arabia. They have come to believe that while Mr Carter has profusely talked about a comprehensive peace, he has actually settled for just the opposite; that he promised to be even-handed in his approach, but the handiwork he has produced remains glaringly onesided, while the two vital issues—the rights of the Palestinians and the status of East Jerusalem—have remained unresolved.

Meanwhile, as if to further feed Arab resentment, Israel is loudly proclaiming its sovereignty over the West Bank and continues to "thicken" the existing Israeli settlements or to set up new ones, while Washington is doing nothing more than issue occasional proforma protests. In Arab eyes, Mr Carter's professed even-handedness has in practice given way to a hands-off policy in favour of Israel.

The Carter administration has been trying to mollify Saudi Arabia and to restrain its hostility towards president Sadat, but evidently without any sign of success. Only the other day prince Fahd stated bluntly that the questions of Palestinian rights and East Jerusalem are so important that, if necessary, Saudi Arabia would not hesitate to go to war to seek redress on them. This is a measure of the anger the Saudis now feel towards the Mideast peace treaty Mr Carter has delivered so far.

But the Saudis also know that they cannot afford to antagonise the USA, certainly not resort to another oil embargo like the one they imposed during the Arab-Israeli war of 1973. The brooding presence of the American "military advisers" in and around Saudi Arabia with a massive concentration of modern weaponry should be enough to counsel restraint. Besides, Washington has made it clear that it will not hesitate to take whatever military action may be necessary to keep Mideast oil flowing to the industrial nations since their economic survival depends on it. And so the astute Saudis are putting an oil-price squeeze on the USA and its industrial allies, while taking good care to justify this essentially political move in plausible economic terms.

Clearly, all this does not augur well for the future of oil prices. What is now apprehended is that, at its forthcoming June meeting, OPEC will consolidate the series of surcharges levied by its members in the last six months, raise the "beachmark" price for the Saudi Arabian light crude by several dollars a barrel, mayb
to $20 or close to it, and start the leapfrogging game all over again. The yea
may end, some experts believe, with th
OPEC price at or around $25 a barre
This would represent almost a 100 pe
cent increase in the current year, and a
eightfold jump since the Shah of Ira
plunged the oil dagger into the heart of th
world economy four and a half years ago

The implications of these trends, need
less to say, are alarming for the USA an
for the world economy and, more particularly, for the non-oil developin
nations. At a press conference just hel
by president Carter (on May 29), he wa
asked, now that phased decontrol of o
was about to begin, what action h
expected the OPEC ministers to take i
late June. "I don't know". Mr Carte
replied. And then he went on to say tha
OPEC had raised prices "excessively" th
year, and expressed the hope that the
would not raise it any more. For, "i
the long run they hurt not only our country, but every nation on earth—and especially the poor nations who are destitut
to begin with". But homilies and sympathies butter no parsnips. The truth
that Mr Carter, like his predecessors
has no answer to OPEC's moves. An
like them, he is wishfully pursuing
policy of holding action, or drift, in th
hope that, somehow or other, things wil
take a turn for the better.

Meanwhile, the latest surge on oi
price, coming at a time when the four
year-old business cycle in the USA ha

Eastern Economist 30 Years Ago

JUNE 17, 1949

In the whole range of economic science, there has been no more elusive chase than the pursuit of "fair" wages. To the vast, and often fruitless, literature on the subject, there has been added this week the Report of the Committee on Fair Wages, which partakes not a little of the character of academic lirerature on this tortuous theme. The failure to give precision to a subject which has defied precision for nearly fifty years to take account only of modern literature on the subject—is possibly not a major fault, and in justice to the Committee it may be said that it has not lacked individual talent, or, indeed, corporate strength containing as it does, on the now hallowed Tripartite principle, chosen representatives from government, Industry anc
Labour. It cannot be greatly blamed for no
adding much to prevailing wisdom, but it is
still a fair criticism to say of it that it has added, in more than one respect, to prevailing confusion.

The Report falls into three parts. Part I is on
principles for the fixation of Fair Wages, Part II
on Wages Differentials and Wage Adjustments, and Part III on Machinery for fixation of wages. Clearly Part I is the core of the place, and it is here that enlightenment will be most keenly sought.

begun to taper off, aggravates the risks of a deeper and longer recession. How it will hurt the developing countries was underscored by Jacques de Larosiere, managing director of the International Monetary Fund, at the recent meeting of the United Nations Conference on Trade and Development in Manila. The non-oil-producing developing countries will run an "alarming" balance-of-payments deficit of $ 40 billion this year compared with $31 billion in 1978 and only $11 billion in 1973. He attributed the increase largely to the leap in oil prices in addition to the higher prices for manufactured-goods imports, slack demand for the poor nations' exports, and the rising interest payments on their swelling foreign debts.

India's plight

How badly India has been hit by the rising price of oil is seldom appreciated abroad, though its effects are acutely felt in the nation's daily life. Since domestic production covers only a third of its total requirement of 27 million tons of crude oil a year, it imports about 16.5 million tons of crude and four million tons of petroleum products. Long-term contracts with Iraq, Saudi Arabia, the United Arab Emirates and the Soviet Union will cover only 11 million tons of oil so that the balance will have to be purchased at the rocketing spot prices. In March, it was estimated that India would have to spend $750 million more for the same quantity of oil this year than she did last year when the total oil import bill amounted to $2.2 billion. In a single month the price of a gallon of gasoline jumped by 25 per cent—to $2.50. Americans are groaning and grumbling since the price this year has gone up by about the same percentage.

Since March, there have been further price hikes by OPEC. This means that India's oil import bill will go significantly higher than estimated earlier. At this rate it will not take long to drain away the $6 billion foreign-exchange reserve the nation has painfully built up over the years.

To take one more example, Kenya now spends 25 per cent of its foreign exchange on petroleum imports; it has no more room left to economise on oil which is consumed by the railroad, power and light company, lorries, agriculture and airlines; to accommadate the higher oil prices, other imports have been slashed by 20 per cent; the economic growth is grinding to a halt; and the meagre living standard of the nation threatens to fall rather than to rise. The same grim scenario is enacted, in one country after another, in the non-oil-producing Third World today.

Mr Carter has time and again claimed that he is the first president to address the nation's energy problem in a comprehensive fashion. This is of course true, but in a rather superficial sense. He has dealt with the issues more comprehensively than competently, without the benefit of enough expertise and business judgment, and without mobilising enough political support even within his own party. This explains why, even after two years, the energy situation looks worse rather than better.

fierce opposition

For the same reasons his latest proposal—for decontrol phased over 28 months coupled with a capital gains tax—is encountering fierce opposition in the Congress. His own party members have introduced a bill that would continue the oil price control at least for the present. There are also intense conflicts over the capital gains tax so that It is hard to tell when and in what form his decontrol proposal will emerge out of the legislative body.

Moreover, the tirades he has repeatedly launched against the rapacious oil industry were not only overdone, but also unwise. If anything, it only strengthened the public suspicion that there is no real shortage of oil in the country and that it is all due to the machinations of the profit-hungry oilmen, which of course has made the task of conservation even more difficult. Besides, rapacity of businessmen is no new phenomenon. Every student of economic history knows that the massive American economy has been built by profit-motivated oil and other industrial barons who have plundered natural resources and pandered to America's wasteful habits. How can an American president ever solve the energy problem except by hammering out an effective policy in collaboration with the oil industry?

On top of all this comes an unstable Mideast peace Mr Carter has stumbled into. This has not only accentuated the political instability in a region that is crucially important to the world economy, but has, in addition, added a disquietingly new dimension to an already-complex energy problem.

All in all, the world is in for a period of oil woes by far the worst since the traumatic days of 1973-74, with no sign of an early respite on the horizon.

Hardly was the ink dry on this article when Iran announced another increase in surcharges—between $1.10 and $1.30—on its crude oil, which brings the price of Iran's best crude to $18.47 a barrel. But worse still, Saudi Arabia, which had so long refrained from levying surcharges, has just raised the price of some of its crude by $1.40 a barrel or 8. 5 per cent, thereby bringing the price to a record high of $17.87 for some Saudi oil. The Saudis "caved in" to the OPEC pressure, the press announced in a transparent attempt to underscore their reluctance. It remains to be seen how much further they are likely to go with this "caving-in" process. At this moment all the omens point to another hefty hike at the next OPEC parley.

Elections in Italy

CHRISTIAN DEMOCRATS have re-emerged as the largest single party as a result of the national elections in Italy. They failed to achieve absolute majority, but have been assured continuation of their administration with support from the Socialists. The Italian Communist Party, the biggest communist party in the west, suffered its first serious political setback. The Christian Democrats, who won 262 of the 630 seats in the chamber of deputies, 54 short of a majority, will be forced to seek support from the Socialists to run the government and the latter have demanded half the cabinet seats. The communists, won 201 seats, 27 less than the seats in the previous House. The new parliament, Italy's eighth since the war, will be convened on June 20 to elect new presidents for the senate and of the chamber of deputies.

The socialists ran third with 62 seats, a gain of five. The neo-fascist MSI was the only loser among the smaller parties, coming in fourth but dropping from 35 of 30 seats. Of the minor parties, the Social Democrats, the Republicans and the Liberals are prospective coalition partners for the Christian Democrats. But they won a total of only 45 seats, nine short of the number needed for a bare majority. The Radical Party, an ardent supporter of legislation permitting divorce and abortion, jumped from four seats in the last parliament elected in June 1976 to 18 seats.

In the case of the Communist Party, its share of the votes fell by 2.4 per cent from 33.8 per cent in the 1976 general election to 31.4 per cent. The setback for the communists, is particularly significant because they effectively brought on a premature general election by demanding their party's direct participation in government. For that reason the Christian Democrats' claim that this election should be taken as a referendum on their entrance into the government has some substance.

blow to leadership

The loss of seats suffered by the Communist Party is a blow to the leadership of Mr Enrico Berlinguer, the party secretary. Mr Berlinguer has been closely identified with the party's long-cherished policy of the Compromesso Storico, or grand alliance of all democratic forces, which would have brought the Communists eventually into government. This he unveiled at the Milan Congress in March, 1972. Now Mr Berlinguer's critics will inevitably advance a harder "revolutionary" policy for the party.

The Italian electorate appears to have turned again towards the smaller parties such as the Social Democrats, the Republicans and the Liberals. This has reversed the trend which emerged at the last general election of a radical polarisation of political life between the Christian Democrats and the Communists. Even if the emphasis in the recent elections was on the communist setback, the stability of the government will still depend on their attitude. They provide a solid bloc of opposition and can always queer the pitch for a coalition government by tempting a restive constituent with offers of their support.

Coup in Ghana

NO CLEAR indication of the political orientation, if any, of the coup in Ghana on June 4, led by Flight Lieutenant Jerry Rawlings, is available yet, though, in some reports, the young officers who engineered the coup have been described as 'leftist elements'. The coup has replaced the military government of General Fred Akuffo just a few days before the elections which have already been announced. Ghana's nine million people have been told by the leaders of the coup that the elections should come off as planned. If the leaders of the coup stick to their promise, there is little possibility of large-scale bloodshed. But if, on the contrary, the present coup leaders try to perpetuate their rule, Ghanians may witness several rounds of armed encounters.

The young airforce officers who took over the administration in Ghana had made an unsuccessful effort to stage a coup towards the middle of May only to be jailed. On June 4 they broke out of the jails in Accra and launched another attempt which seems to have succeeded. The air force officers seem to believe that the strike power of the air force can outnumber the numerical power of the Ghanaian army. But they cannot ignore the power of the other infantry brigade based in Ghana's second city, Kumasi. In other words, the present government led by air force officers, has not yet secured sufficient support from all sections of the army.

The army has ruled Ghana since Gen. Ignatius Acheampong seized power in 1972. He was deposed last July by some members of the Supreme Military Council and replaced by Gen. Akuffo, who pledged to hand over Ghana to civilian rule next month, under a new constitution drawn up by a constituent assembly. The country had been gripped by politica fervour during the build-up to the elections later this month and it continues to face several economic problems reflected in rampant inflation.

One of the important problems facing the country is falling production of cocoa, the main foreign exchange earner, and failure to diversity into other crops. Cocoa production has come down to about 250,000 tonnes a year, the lowest since 1958. The reasons for the decline include the age of trees and poor producer prices. Ghana, which once accounted for more than 30 per cent of the world's cocoa, now produces less than 20 per cent. There is also the problem of massive deficit financing, which led to inflation. The Akuffo government tried to introduce a few economic reforms. The budget deficit was reduced and the producer price of cocoa was doubled. The Ghanaian currency, the Cedi, was devalued by more than 50 per cent. All old Cedi notes were changed for new ones in a large operation designed to reduce liquidity. But this policy would have taken some years to show results. After the new coup, it is expected that the elections will be held and a civilian government will be allowed to bring about more economic reforms.

Bangladesh plans

THE BANGLADESH annual plan for 1979-80 released recently along with the budget for this year proposed an outlay of 2,070 crores taka and aimed at an annual growth rate of 7.3 per cent Bangladesh hoped to finance this annual plan to the extent of 74 per cent out of foreign assistance of the order of 1511 crores taka. For instance, the Saudi Fund for Development (SFD) will provide a long-term loan of 106 million Riyals ($30 million) for a limestone and mining project. Officials are seeking additional funding from the Organisation of Petroleum Exporting Countries (OPEC) Special Fund, the Islamic Development Bank and other aid bodies. In view of the fact that

Bangladesh had received a commitment of foreign assitance of $1562 million during the current financial year (1978-79), finance for the annual plan 1979 - 80 may not be a problem.

Agriculture and water resources form the highest periority in the annual plan. This is obvious because Bangladesh is striving hard to achieve food self-sufficiency. This programme has become all the more important because the country has been facing an unprecedented drought leading to a shortfall of over two million tonnes of foodgrains. An important plank in the programme for achieving self-sufficiency in foodgrains is the introduction of high yielding varieties of wheat and rice. A plan has been finalised to raise the yield of the winter crop from nearly three million tonnes of foodgrains at present to more than six million tonnes in a few years by assuring required water supply.

Bangladesh's 14,000 low-lift pumps have exhausted the surface water but there is plenty of underground water and if 30,000 to 40,000 deep tubewells and 50,000 to 70,000 shallow tubewells are sunk the problem would be solved. At present there are fewer than 10,000 tubewells. It costs about 15,000 taka to build a single shallow tubewell and 200,000 taka to build a deep one. Building thousands of tubewells would involve considerable expenditnre.

The two-year plan (1978-80) of which the annual plan for 1979-80 forms the second year, also laid stress on foodgrain output. The expansion of acreage under HYV of rice and wheat has been proposed from about 4.2 million acres in 1977-78 to six million acres in 1979-80. Use of fertilizers was expected to increase from 600,000 tonnes in 1977-78 to 700,000 tonnes in 1979-80. Nearly 400,000 additional acres have been proposed to be brought under tne irrigation system and 700,000 additional acres under flood protection. It was estimated that 45,000 low-lift pumps, 3000 deep tubewells, 13,000 shallow tubewells, and 140,000 hand-pump/tube wells would be sunk during the two years of the plan. More emphasis would be laid on the distribution of improved seeds, extension services and on a coordinated supply of agricultural credit. A comprehensive food policy incorporating production procurement and distribution aspects would also be implemented, The major objective of the food policy has been to provide incentive prices to the growers for increased production.

Sectoral Allocation of the Gross Development Outlay for Two-Year Plan : 1978-80

(*Taka in million*)

Sector	Public sector outlay	Private sector outlay	Plan outlay	Total per cent
1. Agriculture, Water Resource and Rural Institutions	8980	700	9680	25
2. Industries	5700	2460	8160	22
3. Power, Natural Resources and STR	4710	—	4710	12
4. Transport and Communication	5800	1260	7060	18
5. Physical Planning and Housing	2500	1400	3900	10
6. Education, Training and Public Administation	1800	—	1800	5
7. Health, Population Control and Family Planning, Labour and Social Welfare	2500	—	2500	6
8. Development Boards and Others	620	180	800	2
Total	32,610	6,000	38,610	100

utilisation of capacity

It the field of industry the two-year plan emphasised better utilisation of capacities through balancing and modernisation. It also stressed the completion of major on-going projects such as Ashuganj fertilizer factory, several cotton mills, machine tools factory, etc. The output of jute goods was expected to rise from 605,000 tonnes in 1977-78 to 667,000 tonnes in 1979-80. Output of cotton cloth was expected to rise from 505.6 million yards to 656.8 million yards, fertilizer from about 400,000 tonnes to 456,000 tonnes, and sugar from 150,000 tonnes to 160,000 tonnes.

The plan has an allocation of 816 crore taka for investment in the industry sector. Out of this, 570 crores taka has been allocated for public sector and the remaining 246 crores taka has been earmarked for private sector. Out of the public sector allotment of 570 crores taka, 500 crores taka has been allocated for on-going projects and only 70 crores taka has been earmarked for new project. The largest share of 248 crores taka or 44 per cent of total allocation goes to fertilisers and chemicals. This was followed by steel and engineering, cotton textiles and jute textiles representing 16 per cent, 15 per cent and 10 per cent respectively of the total public sector allocation.

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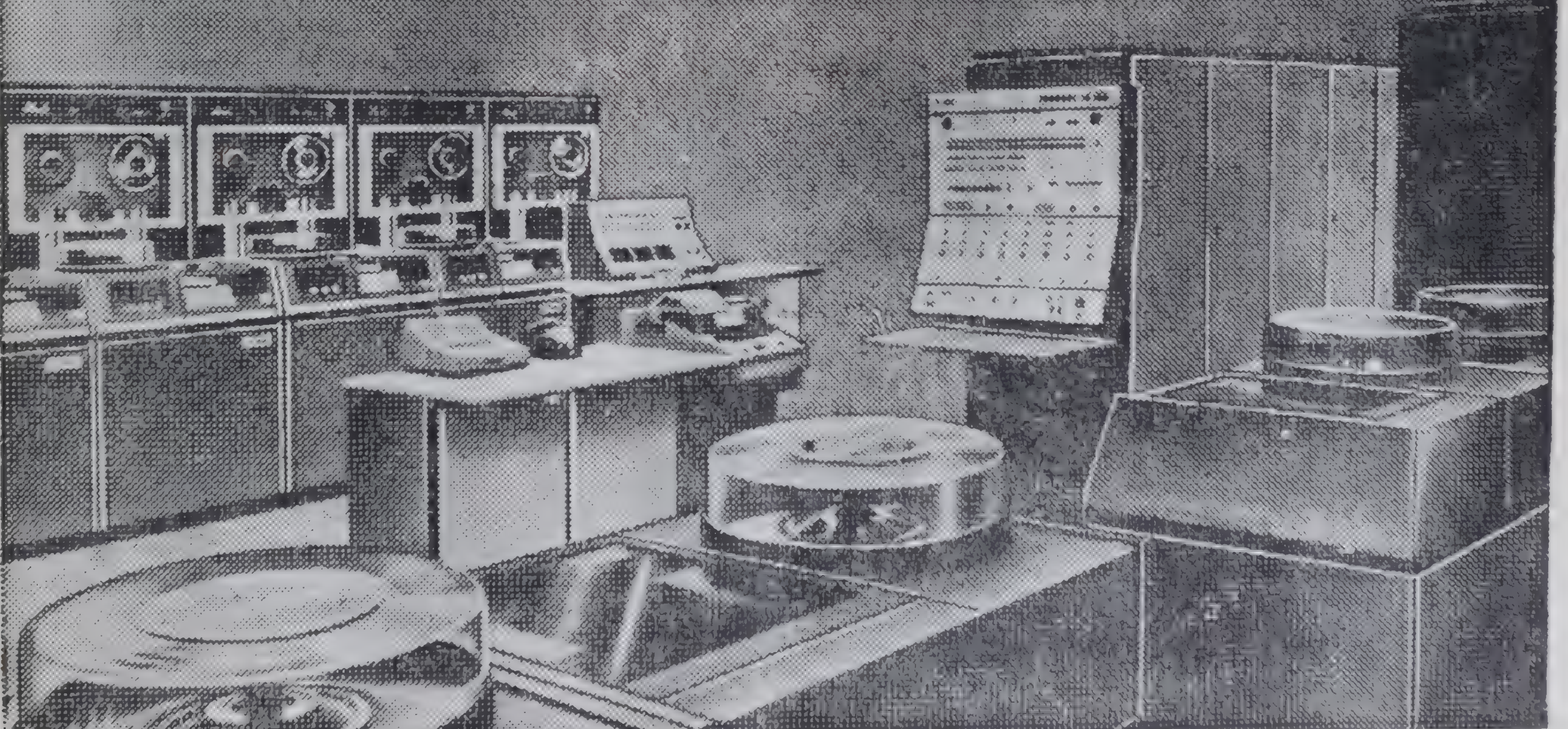

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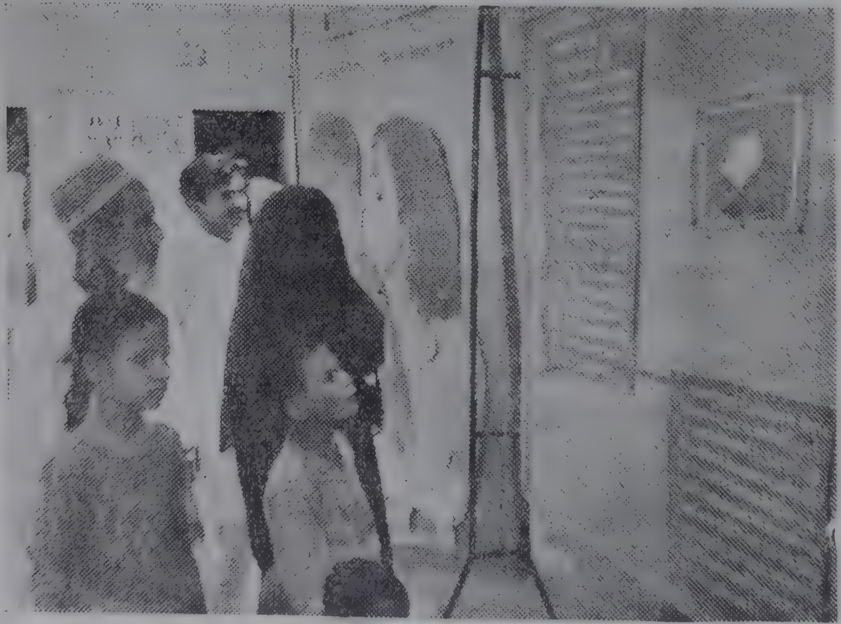
Cover feature

The world's billions

THE DECLINE in world fertility referred to in "The State of World Population" report last year, with appropriate caution, is now confirmed, writes Rafel M. Salas, Executive Director of the United Nations Fund for Population Activities, in the report for 1979. Both in the developed world and in many areas of the developing world where the largest numbers of the planet's population live, the trend towards smaller families has become evident and there is no reason to expect a reversal in the forseeable future, if we were to ignore minor temporary fluctuations.

Caution is needed, however, in drawing conclusions from a reading of these trends. It would be a grave error of judgement to make the tempting leap from pessimism to optimism, and suppose that the "population problem" has been solved. The rate of decline in fertility projected over the two remaining decades of this millennium will not prevent the world's population from increasing by nearly two billion who must inhabit a world whose economic balance is already distorted by worsening poverty for most and affluence for a few. At the end of the current decade alone three-quarters of a billion people will be added to the 1970 count, nearly all of them in the poorest countries.

Apart from this, the very fact of a fertility transition has brought in its train some unfamiliar but very real population problems which need recognition and attention now if they are to be prevented from developing into a crisis in the next decade or two. The most serious population problem of the more developed parts of the world is the tendency for family size to drop below replacement levels. In the Federal Republic of Germany, for instance, the average family has already dropped below two children, a trend which is appearing in other western countries also. Another problem which is only now being recognised as a major concern, is ageing and its impact on employment and the fiscal and social policies of the developed world.



As for the developing world, the Fund's primary concern, the declines in fertility combined with the fall in mortality—which began earlier—has set off a phase of structural change within populations which is likely to place intolerably heavy burdens on the working population by greatly increasing the overall dependency on an already overburdened group. This and other aspects of the impact of trends in fertility and mortality patterns are set out in more detail below.

What has taken place, therefore, is not an elimination or even a substantial reduction of the "population problem" but rather a transformation of its character and magnitude which calls not for complacency and relaxation of effort but for new perceptions and a renewed willingness to design policies and programmes to deal with the consequences of change.

The 1980s will no doubt witness sweeping changes in world population patterns and also determine the character of a New International Economic Order in which demographic factors will need to be recognised as being central. This period will also mark the second decade of UNFPA operations. It seems unthinkable that the Fund would ever have been called into existence at all had it not been for the momentous demographic trends of the 1950s and 1960s when the consequences of unbridled population growth in the poorest countries rose to the surface of public awareness. One can also point to a significant converse interrelation. The national policy efforts which the Fund has helped to encourage and sustain, have become substantial factors affecting change in the nature and pace of the trends themselves.

The 1980s will unfold vast new needs and opportunities for effective demographic policies. Major population movements are momentous factors in the lives of nations but what is especially challenging now is the fact that we are living in a period of revolutionary shift in world and regional demographic processes. In each of the world's geographic regions, as in almost every large or small country, societies are entering new demographic realms, characterised by breakaway tendencies or turning points which will soon take them far from where they were only short decades ago.

It follows that continuous attention to today's and tomorrow's demographic dynamics is essential, if population policies are to measure up to national needs. Otherwise, having succeeded in securing recognition of population policy as a priority in national agendas for development in all dimensions—political, social and economic—we risk losing the momentum gained and the success it promised in the years ahead.

It also follows, as will be clear from the review of population trends and issues set out below, that this is no time for complacency on any population policy front—national, regional or international. Indeed, the main lesson of the Fund's experience is that action called for by population policy has hardly begun. By the end of the current decade global numbers will have risen by some 738 million people, with nearly 90 per cent of the increase occurring in the less developed regions. It is worth noting here that the total population in the developing world is about as much as the world's entire population of 3 billion in 1960.

Apart from the structural change taking place within national populations, the following issues will continue to be important in the foreseeable future:

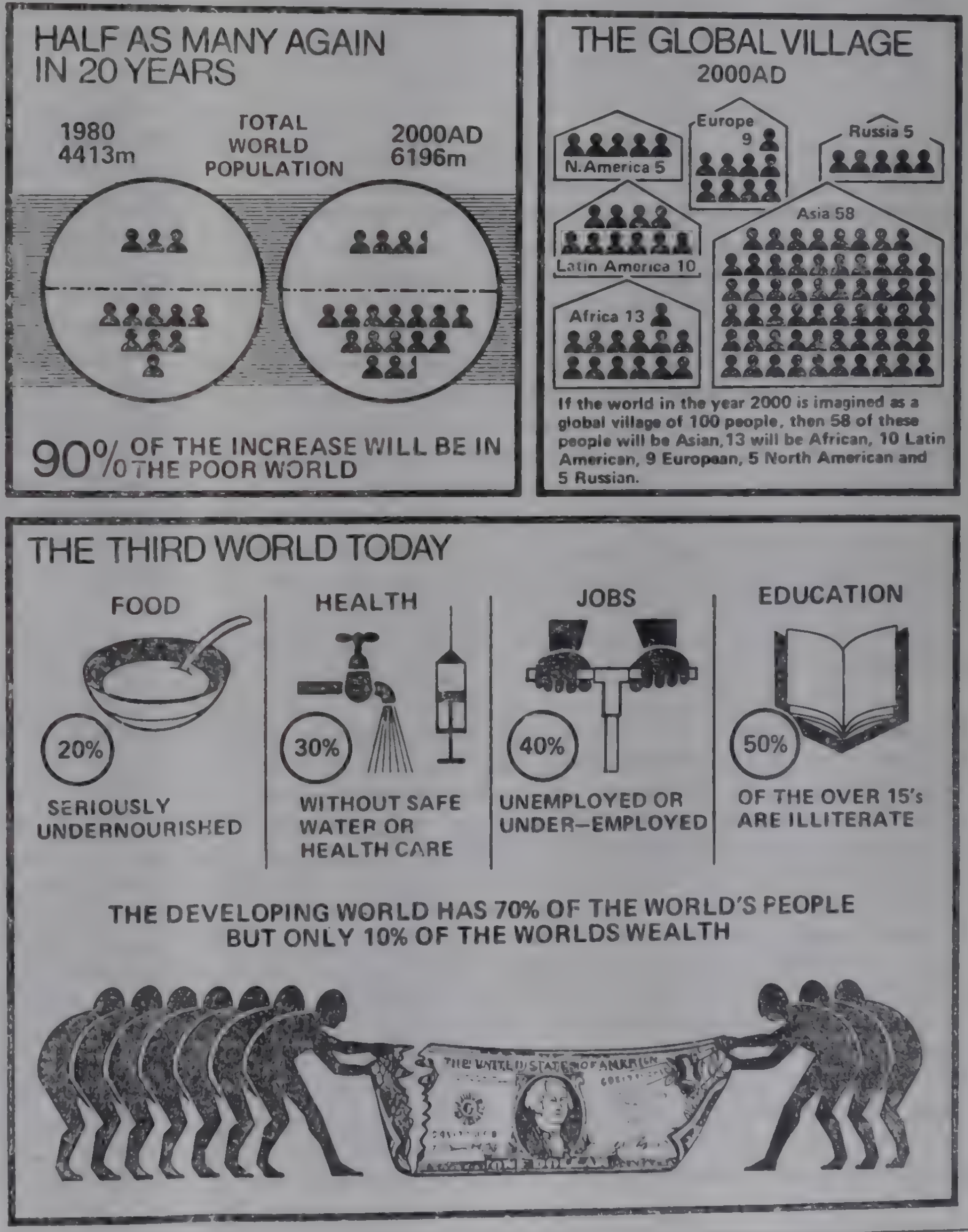
Preventable mortality and morbidity is still far too high in many areas of the globe. Traditional fertility aspirations formed when death rates were much higher than they are now, continue very typically to be well beyond the social goals and individual means of hundreds of millions, even billions, of human beings. Infertility continues to be an entrenched global affliction, while undesired teenage pregnancy

Over to page 1262

Population and Progress

Population trends are sure to become more central to future development strategies - 1979 'State of World Population' report from the UN Fund for Population Activities.

Peter Sullivan
"Sunday Times"
London



Population control :

Our population is currently growing at the rate of about 1.9 per cent per annum (birth rate 33 per thousand and death rate 14 per thousand). At 634 million, by March 31, 1978, it has gone up by nearly 75 per cent from 361 million in 1951 and by as much as two-and-a-half times from 251 million in 1921. The population explosion has undoubtedly acted as a serious drag on the increase in the per capita income sought to be brought about through developmental efforts.

Although planning came to be accepted as a national policy in 1952, it was not until the early sixties that the scheme was expanded in all directions and organised extension efforts came to be made, replacing the narrow clinical approach of earlier years. Important changes were effected after evaluation, in all aspects of the programme—mass education and motivation; services and supplies; training of workers; research and evaluation; association of voluntary organisations, especially of women and workers, etc. A separate family planning department was set up at the centre in 1966. This was followed soon by the establishment of similar departments in the states. By the middle of the current decade, the number of primary health centres had been raised to 5,352. A network of sub-centres exceeding 39,000 had been established. In addition, about 1,800 family welfare centres and 324 post-partum centres were set up in the urban areas.

The 15 years to 1975-76 also witnessed attempts at greater integration of health, family planning and maternity and child care services and introduction of population education in schools and colleges. The research and training programmes as well as other infrastructure facilities, especially for the communication of the message, were strengthened. A new experiment was conducted in the form of organising camps for sterilisation—of course, for those who voluntarily wanted to be sterilised. But this approach was diluted soon after some 60,000 sterilisation operations were performed at a camp at Ernakulam in a couple of weeks. Inadequate after-operation care at this camp had resulted in a significant number of tetanus cases.

These endeavours yielded encourging results. The birth rate was reduced to 34.5 per thousand by the early 1976 from 46 per thousand in the early 1950s, with the death rate being brought down from over 20 to 15 per thousand, the population growth came to be restricted to about 1.95 per cent per annum.

The programme, however, has gone through great vicissitudes in the last three years. The proclamation of emergency in June 1975 fostered greater political involvement in it which resulted in the framing of the first National Population Policy in April, 1976. The whole programme was recast materially with a view to reducing the birth rate to 30 per thousand by 1978-79 and 25 per thousand by 1983-84. Provision was made in this policy statement for: (a) increasing the age of marriage from 15 to 18 years for girls and from 18 21 years for boys; (b) freezing the population figure at the 1971 level until the year 2000 AD for the purposes of representation in parliament as well as for the allocation of assistance to states, devolution of taxes amongst them, etc., (c) linking of a part of central assistance to the states with their performance in family planning; (d) according a proper place to population education in the total system of education, etc. Greater attention was proposed to be paid to girls' education. The monetary compensation for sterilisation was raised. Motivation efforts were envisaged to be strengthened,

The increased political involvement was not injudicious, but it soon yielded place to involvement by hoodlums as scope was left open in the 1976 policy statement for compulsory sterilisation. The states had also been given the freedom to introduce measures directed towards their employees and other citizens in the matter of preferential allotment of houses, land, etc., to those who accepted family planning. This was misused on an extensive scale, although it helped in boosting the number of sterilisations from 1.35 million in 1974-75 and 2.6 million in 1975-76 to over eight million in 1976-77. This created a sharp reaction in the states where sterilisations were performed in a high-handed manner. The result was that the Congress party was voted out of power not only at the centre but in the entire northern India in 1977—at the very first opportunity which came the way of the masses to reexercise their franchise.

Under the Janata Party's rule which started at the centre in March 1977, and in all the northern states a few months later, it was but natural that the first opportunity should have been seized to rid the family planning programme of all coercion and compulsion. The programme itself was redesignated as family welfare programme. Its implementation did suffer a serious set-back in 1977-78 when the number of sterilisations dropped sharply to just 900,000. But the subsequent year—1978-79—has witnessed again a substantial pick-up in implementation. Nearly 1.5 million persons got themselves sterilised in this year—completely on a voluntary basis. This indicates that consciousness about restricting the family is growing and family planning on a voluntary basis can surely succeed though over a slightly longer period. Knowledgeable circles even opine that, had the traumatic experience of 1976-77 been obviated, three to four million cases would have started coming up annually by now for voluntary sterilisation.

On balance, the populotion in the reproductive age group has gone up significantly during the last four years, while the overall percentage of protected couples vis-a-vis the total population has shown some decline, though marginal.

This appears to be well appreciated by the present government, which contrary to the popular belief, is not averse to population control but is fully committed to it. Besides retaining all the wholesome components of the 1976 policy statement of the then government some of these have been mentioned above—this policy statement stresses that family planning must embrace all aspects of family welfare, particularly those which are designed to protect and help the mothers and children. The programme has been made a part of the total concept of positive health; it is being meaningfully integrated with the other welfare programmes such as provision of nutritive food, clothing, shelter, safe drinking water, education, employment and women's welfare. The methods of contraception are being left for adoption by people according to their choice. Anti-natal, natal and post natal

the Indian scene

care is being increased for mothers. All attempts are being made to put the programme again on rails on a voluntary basis.

Some of the new thrusts provided to the programme include: (i) The launching of the rural health scheme on October 2, 1977, under which every village having a population of 1,000 has to have by 1982-83 a community health worker of its own (nearly 54,000 such workers have been trained and are working in as many villages); (ii) Induction of population education in all schools, colleges and industrial training institutes; (iii) Training of village mid-wives with a view to upgrading the existing skills in the baby delivery system in villages (nearly 50,000 mid-wives have already been trained and the goal is to have one trained mid-wife in every village by 1982-83). Another dimension was added to the programme with the launching of the national adult education programme on October 2, 1978, which aimed at reaching 100 million persons in the 15-35 age group during the next five years. The ministry of Health and Family Welfare and its counterparts in the states are participating in this programme and offering to people health and family welfare services in the adult literacy classes which are being organised all over the country. Orientation camps of village leaders are being organised where free discussions are arranged between them and the doctor of extension education personnel concerned with family welfare. Efforts are also being made to use the vast agricultural extension machinery to promote population education in the rural areas. To inculcate a healthy competition amongst the states, a scheme has been instituted under which states/institutions showing outstanding performance in family planning and maternal and child health care work are given special awards.

Further changes in the programme, however, are not ruled out in the light of recommendations of the working group on population policy which was set up in October last under the chairmanship of Dr. V. A. Pai Panandiker. In its interim report, this group has suggested that the country should now work for reducing the present reproduction rate (NRR) of 1.67 to the unity level by the year 2001 A. D. In the case of some states, where the performance in the recent years has been satisfactory, the goal should be accomplished even by 1996. This implies essentially moving towards a two child family norm and ultimately replacement of a mother by one daughter.

The percentage of eligible couples to be effectively protected by the modern methods of family planning, the group has suggested, will have to be raised in the next 21 years to 60 from around 22 currently. Nearly 84 million eligible couples will have to be protected by 1996 as against 25 million at the end of 1978.

Taking cognizance of the fact that the performance of family planning and welfare has not been uniform in the different parts of the country, two basic departures have been suggested by the group. First, concerted efforts need to be made in the low performance states, particularly Bihar, Uttar Pradesh, Jammu and Kashmir and Rajasthan, towards family welfare and planning. As against the current practice of providing incentives to the state governments according to their performance, the states, it has been suggested, should be grouped into three categories according to the different levels of effective protection available there: group A states where the level of protection for eligible couples is less than 15 per cent—Bihar, Uttar Pradesh, Rajasthan, Jammu & Kashmir, Manipur, Meghalaya, Nagaland, Tripura, Mizoram and Arunachal Pradesh; Group B states where the level of protection is between 15 and 25 per cent—West Bengal, Assam, Karnataka, Orissa and Madhya Pradesh; and Group C states where the level of protection is over 25 per cent—Andhra Pradesh, Tamil Nadu, Kerala, Maharashtra, Gujarat, Punjab, Haryana, Himachal Pradesh, Delhi, Chandigarh and Pondicherry. Each state, it has been recommended, should be assisted by the central government in choosing its appropriate path which is politically, socially and administratively most suited to it for achieving the goal of NRR one.

The second departure recommended is that, although the family welfare programme should be centrally sponsored till it gets firmly established, the states should be involved in it more; so also political parties and various social and economic institutions particularly at the local level. The group has laid a good deal of emphasis on women's education for the past experience appears to show that there is a close relationship between family planning and women's education. A serious approach to adult education has also been stressed, so also improvement in rueal health, rural water supply, nutrition programme, etc.

Within the overall target of achieving NRR one by 1996 in some states and by 2001 in the entire country, it has been suggested that the March 1983 target should be effective protection of 30 per cent eligible couples for a nation as a whole. This target was set by the previous government for 1978-79.

The data available about the past performance, besides revealing uneven progress amongst various states, discloses that some minority communities have been slow in taking to family planning: an overwhelcoming proportion of the couples already protected belong to the majority community. There is, thus, obviously need for greater involvement of the minority communties in the family welfare programmes. In the case of some states such as Kerala, the data about the past performance can also be misleading as a good deal of migration takes place from such states to the other parts of the country, depressing the population growth in these states and raising it elsewhere.

Another important point to be taken into consideration is that, following the unhappy experience of the emergency, the medical profession has got alienated from this programme, especially in Uttar Pradesh and Bihar. It should again be brought into the picture in an effective manner, particularly for motivation purposes. The experience of the states such as Punjab and Haryana, where the use of all sorts of contraceptive is prevalent, is an indication that sterilisation alone is not the solution. In Gujarat, both economic and social progress have led to good results. It is of course, by and large agreed that not only the female literacy has a great bearing on family planning but also social and economic progress.

An indication of the success achieved in population control by India is also available from the fact that the assistance available from the UN special fund for population activities may be raised next year to \$100 million from \$40 million per annum since 1974. A dialogue in this connection is going on between the government of India and the UN authorities. Assistance from this fund is provided for upgrading and expanding population control programmes in the developing countries through strengthening the health and family planning infrastructure.

—R. C. Ummat

bids rapidly to become one. The tendency towards poorly balanced internal spatial distribution of population is perceived by governments on all continents to be a substantial deterrent to national development. In recent years, international migration, often of an unfamiliar kind—for example the labour migration to the Gulf states—is acquiring considerably heightened importance on the agenda of cross-country political issues requiring new approaches and solutions.

Related to all of these is an overarching new policy need. This is to achieve new types and degrees of integration between population policies and development goals in its many facets: individual human rights, role of family, status of women, environmental quality, food supply, employment and per capita income, among others.

Although the very dynamics of current demographic trends add greatly to the difficulties of forecasting, six underlying realities will surely determine the direction, shape and substance of population fact and policy in the decade ahead. They are: (1) the fertility transformations which are apparently gathering force in most of the less developed, low-income regions of the world; (2) the new face of mortality-development interrelations in these regions; (3) the impetus of the trends to bare-replacement or below-replacement fertility in the developed regions; (4) the close of a 100- to 200-year era of mortality decline patterns in the developed or higher-income countries; (5) accelerating urbanisation everywhere; and (6) the appearance of demographic programming and policy goals as essential elements in socio-economic development planning.

Singly and in combination, these realities rank with the foremost determinants of social developments of our times. Each marks a clear watershed between the first and second halves of this century and all have momentous human implications for as far ahead as we can see. A brief review of each of these tendencies is in order, therefore, before turning to some main policy challenges and issues.

II

The watershed

It now seems evident beyond question that a gradual process of fertility decline is spreading over much of the less developed regions. Since June last year much new and impressive evidence has emerged to confirm this conclusion. It was noted then that some 40 per cent and possibly more of the Third World populations lived in areas where fertility had shown remarkable downturns within a short recent period, roughly within the last decade or so. Of the three to four dozen nations so described—in Northern Africa, Latin America and East Asia in particular—about half were small or island areas and half, large or mainland areas. Today, according to recent estimates made available by United Nations analysts, it appears likely that the percentage of Third World populations experiencing rapid declines can be expanded perceptibly, with Brazil the outstanding addition in terms of size. India, because of serious setbacks to its family planning programme, cannot yet be confidently assessed for either degree or sustainability of previously estimated declining trends. If, however, India is included with appropriate caution as an area of significant downtrends, no less than two of the three billions in Third World countries can be said to have been reducing their fertility substantially. Even with India excluded, it is no longer unreasonable to conclude that the Third World's breakaway from its very long-standing fertility patterns differs significantly from earlier fertility transitions which were experienced in developed countries.

Not only does it involve far greater numbers of people and national areas, but it is occurring under an array of much more diverse regional and cultural circumstances.

Reduced marital fertility and delayed age of marriage have been the main contributing factors. Although the relative importance of these causes has obvious major implications for analysis and policy, they seem to be best seen as being complementary rather than as alternatives. Rising age of marriage, for example, is itself an indication that the cultural, social and psychological factors affecting child-bearing after marriage are undergoing significant change. And conversely, reduced fertility expectations within marriage can be a cogent factor influencing the age at marriage—a point too seldom considered in assessing the direct and indirect effects of family planning and sex education programmes. Moreover, "third forces" also may well be at play which would lead to postponed marriage and reduced child-bearing, simultaneously, acting as an inter-related pair. Confidence in further reductions in mortality, for example, seems to be such a force, indeed a major one, by raising the anticipated lifetimes of both parents and children.

None of this, obviously, provides any ground for relaxation of efforts in family planning programme areas. The evidence of fertility declines in the less developed regions suggests only that their burdens from previously high rate of reproduction have just begun to be reduced. Almost everywhere, they are far from being adequately reduced or eliminated.

Growth of numbers in the Third World regions overall, as in many of its parts, is not far today from where it was 20 years ago. Although the pace may have slackened over the last decade, it is still over two per cent in aggregate and higher still in numerous sub-

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Asia : women take the lead

Linda Bolido

(Press Foundation of Asia)

Economic pressure in the home is now the main reason why more and more women in the developing countries are taking the initiative in family planning. Another strong incentive is the wish to enjoy sex without the fear of unwanted pregnancy.

These were the views expressed by two leading figures in the Philippines family planning movement during a recent 'encounter' organised in Manila by the Press Foundation of Asia and assisted by the U.N. Fund for Population Activities.

Economic pressure to limit family size, said Doctor Paulo Campos, is now more important than the strictures of the Catholic Church against artificial methods of birth control.

On the question of why more women are taking more responsibility for family planning, another of the participating experts, Doctor Ruben Apelo, suggested that the answer was to be found in the traditional roles assigned to women in Asia. It is the women who take most of the pressure of raising a large family, agreed Doctor Campos, and that responsibility is now being extended to fertility control.

Citing his own experience of different Asian nations, Dr. Campos pointed out that the men tend to be indifferent to the family planning movement whereas women generally take an active interest.

It is also more economical to bring the family planning methods to women, he added, because women are more likely to spread the idea to others. Women with young children also visit health clinics more often than men and this too brings them into more contact with the knowledge and the means of deciding on their family size.

Doctor Apelo also spoke about the growing realisation among Asian women that sex does not have to be encumbered by the fear of pregnancy—an important new development in population trends.

Referring to India, he pointed out that more and more women are virtually demanding sterilisation of their husbands and that more and more husbands are discovering that instead of the feared decline in virility, vasectomy actually improved it. In the case of the Philippines, Doctor Apelo said that increased sexual pleasure, as a motive for family planning, held true only for the better educated and higher income groups.

A third pressure towards family planning comes from the increasing desire of many Asian women to change their traditional roles and achieve equality with men, said Doctor Apelo. It was a point more thoroughly discussed by women leaders and journalists in a separate encounter, also assisted by the UN Fund for Population Activities, in which the participants stressed that laws which discriminate against women militated against women's participation in family planning. The Japanese representative deplored the fact that popular contraceptive practices like the rhythm method and the condom depend on the full cooperation of men and argued strongly for family planning methods which gave women the initiative and responsibility.

A dominant view among the participants was summed up by the Filipino delegate who said that the new found ability to decide to have more or fewer children was one of the most significant results of women's liberation.

regions. That this is excessive is the clear perception, not only of the great majority of analysts working in the area of demographic development interrelations, but also the perceptions of national governments in countries inhabited by some 82 per cent of the Third World's population.

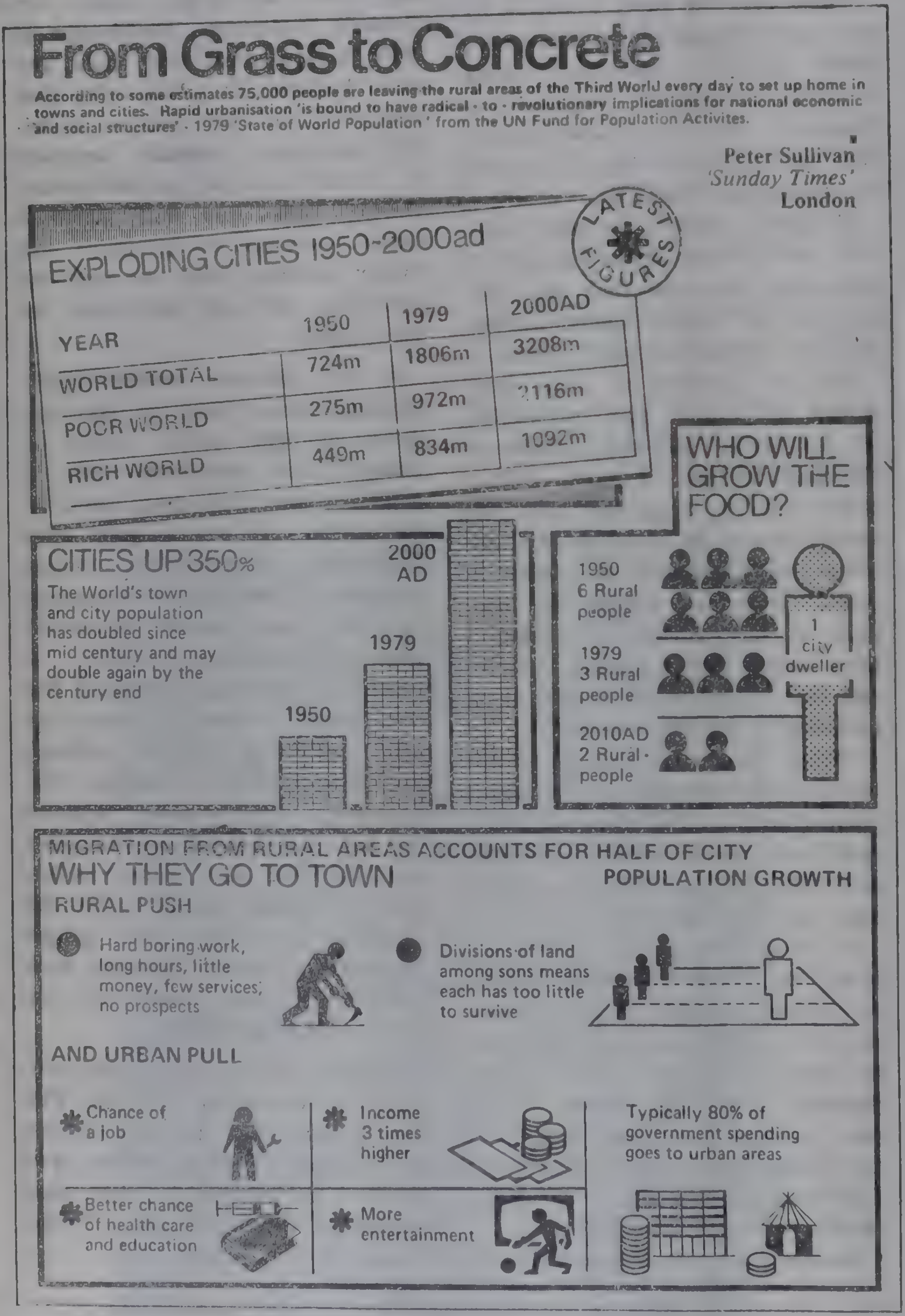
With respect to mortality as well, events of recent decades pose fresh challenges for the future. It now seems assured that a revolutionary change has taken place in the interrelations which link levels of income, consumption and education in less developed nations with their attainable levels of life expectancy, infant mortality and overall (crude) death rates. Levels of life expectancy of under 45 or 50 years, infant mortality rates of 200 or higher, and crude death rates exceeding 20 per thousand were the prevalent orders of magnitude in all less developed regions until recently. Today expectation of life at birth in most of the Third World has advanced far beyond its mid-century average of some 40-plus years. Similar major-scale trends could be shown for infant mortality and general death rates.

The challenge to effective policy—in public health, medical and health education is clear. Precisely because today's technical potentials for enhanced death and disease control have become so much more independent of the constraints of social and economic underdevelopment, they open fresh opportunities for achieving major gains throughout the less and least advantaged parts of Africa, Asia and Latin America.

Given internal political stability, and even moderate increases of international assistance to areas of especially high mortality such as in sub-Saharan Africa, South Asia and the middle east, it is reasonable to expect that 5-year gains or more in life expectancy at birth can be achieved within a decade. Recent setbacks in malaria control programmes give reason for some pause in making this statement, but do not deny its essential and apparently well established accuracy.

The force of mortality change as a social catalyst acting along almost all developmental dimensions of significance is of primal importance. It is hard to believe, for example, that major declines in mortality, once deeply embedded in social and individual expectations, would fail to have large impacts on family formation attitudes and behaviour.

Turning to the developed regions—essentially Europe, including the USSR, North America, Australia, New Zealand and Japan—current fertility for their combined populations is barely, if at all, at replacement level. As a result of sharp declines over most of these



From Grass to Concrete

According to some estimates 75,000 people are leaving the rural areas of the Third World every day to set up home in towns and cities. Rapid urbanisation 'is bound to have radical - to - revolutionary implications for national economic and social structures' - 1979 'State of World Population' from the UN Fund for Population Activites.

Peter Sullivan
'Sunday Times'
London

EXPLODING CITIES 1950-2000ad

YEAR	1950	1979	2000AD
WORLD TOTAL	724m	1806m	3208m
POOR WORLD	275m	972m	2116m
RICH WORLD	449m	834m	1092m

CITIES UP 350%

The World's town and city population has doubled since mid century and may double again by the century end

WHO WILL GROW THE FOOD?

MIGRATION FROM RURAL AREAS ACCOUNTS FOR HALF OF CITY POPULATION GROWTH

WHY THEY GO TO TOWN

RURAL PUSH

- Hard boring work, long hours, little money, few services; no prospects
- Divisions of land among sons means each has too little to survive

AND URBAN PULL

- Chance of a job
- Income 3 times higher
- Typically 80% of government spending goes to urban areas
- Better chance of health care and education
- More entertainment

Migration threatens cities

Adlai Amar

(Press Foundation of Asia)

Subhuman living conditions in the rural areas of Asia are compelling millions of farmer families to try their luck in the cities. And the result is the disruption of development planning. The size of the problem has been graphically illustrated by a United Nations Fund for Population Activities (UNFPA) study which found that at least half the population growth of Asian, African and Latin American cities is caused by the influx of people from the rural areas.

The net village to urban migration in the first half of the 1970s totalled more than 33 million in East Asia and 23 million in South Asia, says the UNFPA. Topping the list of the fastest growing Asian cities is Bandung in Indonesia, where an 86 per cent growth rate is projected by the end of the century. The capital city of Jakarta is also high on the list with a growth rate of 59 per cent. Other burgeoning Asian cities and their UNFPA projected rates include: Baghdad (85%), New Delhi (77%), Tehran (76%), Bangkok (73%), Seoul (69%), Manila (55%) and Cairo (54%).

Between 1975 and the year 2000, the UNFPA estimates that the Asian urban population will grow by nearly 880 million, of which some 500 million will be net migration from the countrysides. In most cities, development plans are coming apart under the impact of this unforeseen flow of people from rural to urban areas.

The major cause is the growing poverty in the countrysides and the chronic lack of jobs. Asia's poor, most of whom are in the rural areas, are actually getting poorer while the rich get richer, according to the International Labour Organisation. Today, one of every three urban residents in Asia and the rest of the developing world lives in the slums and the ratio is growing by 15 per cent annually, says the UNFPA study.

So the rural poor flock to the cities looking for work. But these cities remain ill-prepared to handle the new arrivals. As a result, says the UNFPA study, people are becoming urbanised without enjoying the amenities of urban living.

A ride through any of the major Asian cities illustrates the point. Take Metro Manila, with its four cities and 13 towns, as an example. At one end of the city are the palatial homes of the rich while at the other end, along Manila Bay, is Tondo—one of the largest squatter areas in Asia today.

The situation in the Philippines capital city is getting worse, a ranking government official now claims. The migration rate to Manila is estimated at 500,000 annually, mostly women. Its population growth rate, meanwhile, is projected at 55 per cent. Within 10 years there will be about 12 million residents in Manila.

The city's housing, health and social services are already being found to be inadequate in the face of the daily population pressures, says former Metro-Manila Executive Secretary Eduardo Soliman. Government authorities estimate that Metro Manila will need 697,651 additional housing units in the year 2000. As of 1977 however there was a backlog of 214,318.

In terms of hospital requirements, Metro-Manila has a shortage of 921 hospital beds and will need 3,488 more by the year 2000.

As in other services, Manila also has the biggest classroom shortage. Projections are that by 1982 a total of 245,091 classrooms would be needed and this would more than double by the year 2000.

The city's water supply system became inadequate as far back as 20 years ago, according to government engineers. The water problem is especially acute in the outer fringes of the city where people have to depend on groundwater wells. Coupled with this problem is an inadequate sewerage system which serves barely nine per cent or only 250,000 of the population. The present sewerage system, is considered obsolete.

Several attempts have been made to stem the population flow. The most recent was a controversial scheme proposed by the Metro-Manila government to issue special identification cards to the city's residents. The cards would give Manila residents priority over migrants in the use of schools, social services, housing and employment. It has, however, received a lot of criticism from the residents themselves, who tagged it as 'discrimination pure and simple' 'a denial of equal opportunities and choice'. According to social scientists, Filipinos consider it an honour to live in Manila. Migrants visiting their home provinces acquire a carefully cultivated status. The only logical solution, argued government planners, is to decongest the city by dispersing industries and building new growth centres in the less developed regions of the country.

areas in the past 10 to 20 years, many individual nations are manifesting fertility levels which are lower than ever recorded, or below replacement, or combinations of the two; United Nations projections which have just been issued suggest that bare replacement is a prominent possibility for the rest of this century.

These trends appear to be essentially independent of fluctuations in economic activity, being as likely to continue in periods of prosperity as during recessions or even depressions. Rather, current low fertility in industrialised societies has been linked to such transformed parts of the social fabric as the declining importance of the family; the changing role of women; new sexual premises and norms; and the rapid rise of non-family households.

How nations will, or should, respond to the new prospects—indeed in some cases to the already existing fact—of near zero or even negative natural increase is sure to occupy governments increasingly over the decade ahead and beyond. Involved in addition to numbers of births and people are the manifold social and economic consequences that arise when the relative size of a population's younger-age members declines rapidly: rising average age of the population and increasing proportions of the aged; the need to shift resources from familiar forms of young-age dependency such as assistance for child health and education, to welfare systems for the aged; major impacts on residential and labour-force mobility; probable needs for changes in political attitudes towards immigration and much more.

The seemingly entrenched tendencies in nearly all industrial nations to a rapid ageing of the population because of falling fertility will be further reinforced by the very different mortality prospects they face compared to the past. Contrary to a popular misconception, past mortality downtrends in these nations throughout the modern era have tended to reduce the average age of their populations, not raise it. For, although chances of surviving to the upper ages of life have increased greatly, the proportion of survivors in the younger age groups has consistently risen even more.

The post-1950 decades have come close to ending mortality patterns which have endured for the better part of the past 100 to 200 years. The rise of life expectancy at birth during that period, from some 40 years to 70 or 75 years, was due mainly to the conquest or near elimination of infectious disease and substantial reduction of premature mortality. Today, the leeway for further progress in each of these directions has become so sharply limited in all parts of the more developed regions that any further effects on longevity would be small in the future.

The fifth basic demographic reality concerns the pace of urbanisation everywhere. Latest United Nations estimates suggest that world urban population has doubled since mid-century and may well double again before the century is over. These are phenomenally rapid trends by any historic standards we know about, and are bound to have radical-to-revolutionary implications for national economic and social structures.

In the more developed regions, about half of their total population lived in urban areas as of 1950, two-thirds do so today and three-quarters are expected to do so by the year 2000. These increases in ratios have been caused in part by the broadest declines in rural numbers ever known to have taken place in the past 300 to 400 years.

In the less developed regions, despite rapidly rising numbers in rural areas, the urban proportion has risen from about 1-to-6 in 1950 to almost 1-to-3 today; it could become almost 1-to-2 within the next three decades. Urban population in Africa tripled during 1950-75 and is expected to triple again during 1975-2000, while the corresponding multipliers for Asia and Latin America range between 2 and 3.

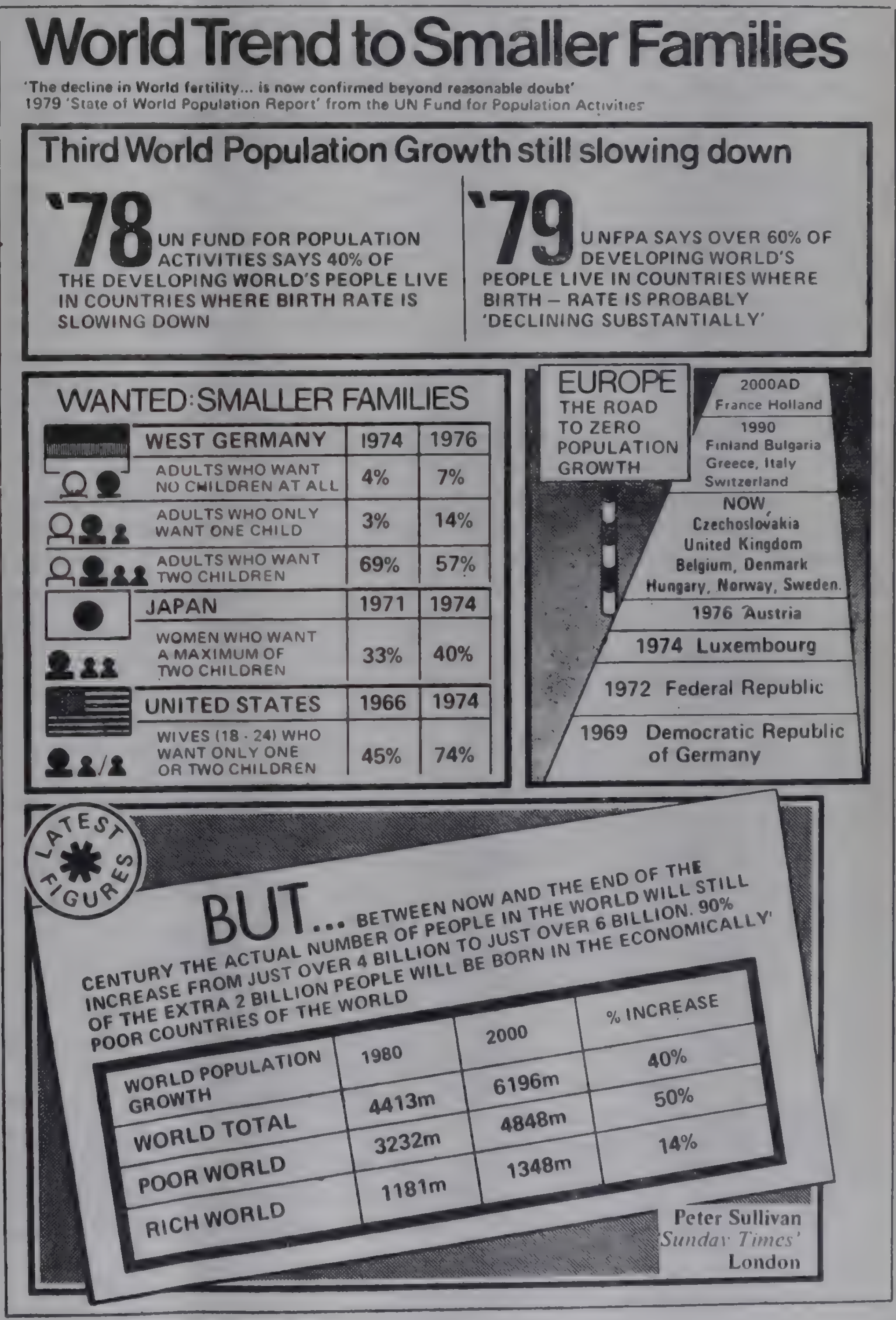
Although the expected urban proportion in the population of the more developed regions by the year 2000 will be almost twice as high as the fraction estimated for the less developed regions (about 80 per cent in the developed regions compared to roughly 40 per cent in the less developed), the size of urban populations will run much the other way. The United Nations' estimates suggest that, in terms of size, the urban population in the less developed areas will be about twice that in the developed.

These facts go far to explain why national governments, when asked to indicate their main population policy concerns, speak of unsatisfactory spatial distribution more often than all other demographic trends as an obstacle to their development goals. This is not surprising, given the immediacy of such concerns as population distribution and redistribution for industrial location policies, development investment allocations, schools, hospitals and housing needs.

The sixth and last general point concerns the new place of population policies as viewed by governments. The battle for acceptance of the need for such policies has been largely won. Such need is no longer a matter for debate in international fora, much unlike the situation only a decade ago—surely one of the most striking instances of a major policy reorientation on record since the appearance of national development planning on a widespread scale.

An inquiry conducted by the United Nations during the past year suggests that about 80 per cent of the Third World population live in countries whose governments favour "direct intervention" to reduce their rates of natural increase. Access to modern methods of fertility regulation is directly or indirectly supported, or at least not limited, by the governments of practically the entire Third World's population, a perceptibly higher percentage, incidentally, than is found among the more developed regions. To put it another way, over half the governments of the Third World report the use of fertility policy approaches intended to foster their development goals.

Policy measures for redistributing population are the most frequently used demographic policy approaches of all in the less developed regions, being applied by no less than nearly 95 per cent of their governments. Almost the same number of governments report the use of non-demographic measures which have been adopted or are intended



World Trend to Smaller Families

'The decline in World fertility... is now confirmed beyond reasonable doubt'
1979 'State of World Population Report' from the UN Fund for Population Activities

Third World Population Growth still slowing down

'78 UN FUND FOR POPULATION ACTIVITIES SAYS 40% OF THE DEVELOPING WORLD'S PEOPLE LIVE IN COUNTRIES WHERE BIRTH RATE IS SLOWING DOWN

'79 UNFPA SAYS OVER 60% OF DEVELOPING WORLD'S PEOPLE LIVE IN COUNTRIES WHERE BIRTH – RATE IS PROBABLY 'DECLINING SUBSTANTIALLY'

WANTED: SMALLER FAMILIES

WEST GERMANY	1974	1976
ADULTS WHO WANT NO CHILDREN AT ALL	4%	7%
ADULTS WHO ONLY WANT ONE CHILD	3%	14%
ADULTS WHO WANT TWO CHILDREN	69%	57%
JAPAN	**1971**	**1974**
WOMEN WHO WANT A MAXIMUM OF TWO CHILDREN	33%	40%
UNITED STATES	**1966**	**1974**
WIVES (18 - 24) WHO WANT ONLY ONE OR TWO CHILDREN	45%	74%

EUROPE
THE ROAD TO ZERO POPULATION GROWTH

2000AD
France Holland
1990
Finland Bulgaria
Greece, Italy
Switzerland
NOW
Czechoslovakia
United Kingdom
Belgium, Denmark
Hungary, Norway, Sweden.
1976 Austria
1974 Luxembourg
1972 Federal Republic
1969 Democratic Republic of Germany

BUT... BETWEEN NOW AND THE END OF THE CENTURY THE ACTUAL NUMBER OF PEOPLE IN THE WORLD WILL STILL INCREASE FROM JUST OVER 4 BILLION TO JUST OVER 6 BILLION. 90% OF THE EXTRA 2 BILLION PEOPLE WILL BE BORN IN THE ECONOMICALLY POOR COUNTRIES OF THE WORLD

WORLD POPULATION GROWTH	1980	2000	% INCREASE
WORLD TOTAL	4413m	6196m	40%
POOR WORLD	3232m	4848m	50%
RICH WORLD	1181m	1348m	14%

Peter Sullivan
'Sunday Times'
London

Pepsi generation grows up

The rapidly rising average age of the world's people is one of the 'sweeping changes in population patterns' discussed in this year's 'State of the World Population Report' by the UN Fund for Population Activities. Here Ian Steel, New York correspond for the Press Foundation of Asia, describes some of the problems which the rise of the over-sixties is beginning to cause in both industrialised and developing nations.

Old age is catching up with the Pepsi generation.

Births rates are falling and the number of elderly citizens is rising—a tribute to medical science, but a headache for the vast majority of rich and poor nations which failed to read the signs.

Professor Walter M. Beattie, Director of the All-University Gerontology Centre at Syracuse University, New York, notes that while the proportionate increase of persons of all ages between 1970 and 2000 will be 73 per cent, the over 60 age group will increase by 91 per cent and the over 80 group by almost 119 per cent.

The industrialised nations, who invested heavily in education, health and recreation for their young before discovering the pill, are now faced with the prospect of too many teachers, too many schools and an imbalance of specialists and facilities to care for all sectors of their populations.

With their old people living longer and in many cases retiring earlier to claim welfare, even the wealthiest nations are searching for new approaches to the aged.

Although pressed to find jobs for the young, governments are now questioning the moral and economic justifications for rushing the aged out of the workforce and onto the park benches. Retirement for today's elderly people often lasts longer than childhood and the early years of dependency—and costs many times more. And an increasing body of aged voters is demanding special housing, health and recreation—considerations which few nations have adequately budgeted for.

When social security was introduced to the United States in 1935, for example, average life expectancy at birth was 63 years. Today it is 69 for men and 77 for women. A generation ago there were nine workers for every retired person. Today there are six and within 50 years it appears likely there will be only three. Who will foot the bill?

The Carter administration is currently studying a proposal to raise minimum qualifying age for social security from 62 to 65 and congress last year abandoned the mandatory retirement age for federal employees. It also delayed mandatory retirement for most workers in the private sector from age 65 to 70.

For developing countries where fertility declines have not been as rapid there will be a little more time to adjust. But there is also a major gap in government capacity to meet the needs of old people.

Priorities have remained with the health, welfare and education of the young and the needs of an enormous pool of unemployed in the 15 to 25 age group. Social welfare for the aged is almost non-existent—due in part to the predominance of small self-sufficient rural economies and the absence of taxable resources.

Professor Beattie has noted that in 1970, East Asia, South Asia, Africa and Latin America, accounted for almost 54 per cent (166 million) of the world's population aged 60 and over. By the year 2000 they are expected to have 65 per cent (379 million). Although the more developed regions of Europe, North America, the Soviet Union and Oceania accounted for 57 per cent of those aged 80 and over in 1970, the developing countries will have the major share (53 per cent) of this group as well, by the year 2000.

"Old people used to be the exception in the developing countries" says Dr. S. L. N. Rao, Policy Analysis Officer for the United Nations Fund for Population Activities (UNFPA). "Those who survived to a ripe old age usually came from wealthy socio-economic groups and did not present a problem for the planners. They did not need public support. But this is no longer the case."

There is increasing discussion among highly industrial and urban nations about the need for more flexible retirement policies which would not only give the aged the capacity for self-sufficiency but would preserve a productive and respected role for the elderly within society. No period of life, including adolescence, requires more adjustment to changing conditions and living situations, than does the period between 60 and 75 years of age.

Certainly no other age group will challenge the values of society and governments more aggressively between now and 2000 AD.

to affect demographic trends indirectly.

In the more developed areas, the extent of population policy interest, as reported to the United Nations, is substantially smaller. It is, however, by no means minor. Governments of some 40 per cent of the population of these areas perceive a need to raise natural increase, and half of all developed-area governments favour direct intervention to achieve this end. About half, too, of such governments report the use of demographic or non-demographic measures, or both, for demographic policy purposes.

Modern population policy as an arm of development policy is still too new to permit identification of trends or degrees of success. The results now becoming available through the World Fertility Survey, an internationally coordinated programme of studies being conducted in 40 to 50 less developed countries and in 15 to 20 more developed ones is beginning to provide important new light on the pay-off possibilities to be expected from recent family planning programmes.

Other population policy areas as well should soon become increasingly amenable to trend analysis and evaluation, assuming as we may that such policies continue to become increasingly time-tested, comprehensive and development-oriented.

In short, the last 10 to 15 years have witnessed a remarkably rich and promising "take off" phase in the international evolution of population policy-making. Widespread political acceptance of the need for such policies, and their initial translation into operating programmes, have been hallmarks of the period. Both as a body of social goals and as a process of social action, population policy will loom increasingly large throughout the rest of this century and for as far ahead as one can see.

III

Issues and possibilities

If the past decade can be regarded as marking a "take off" phase of demographic policy-making, the next decade might be described as one involving a "drive to maturity".

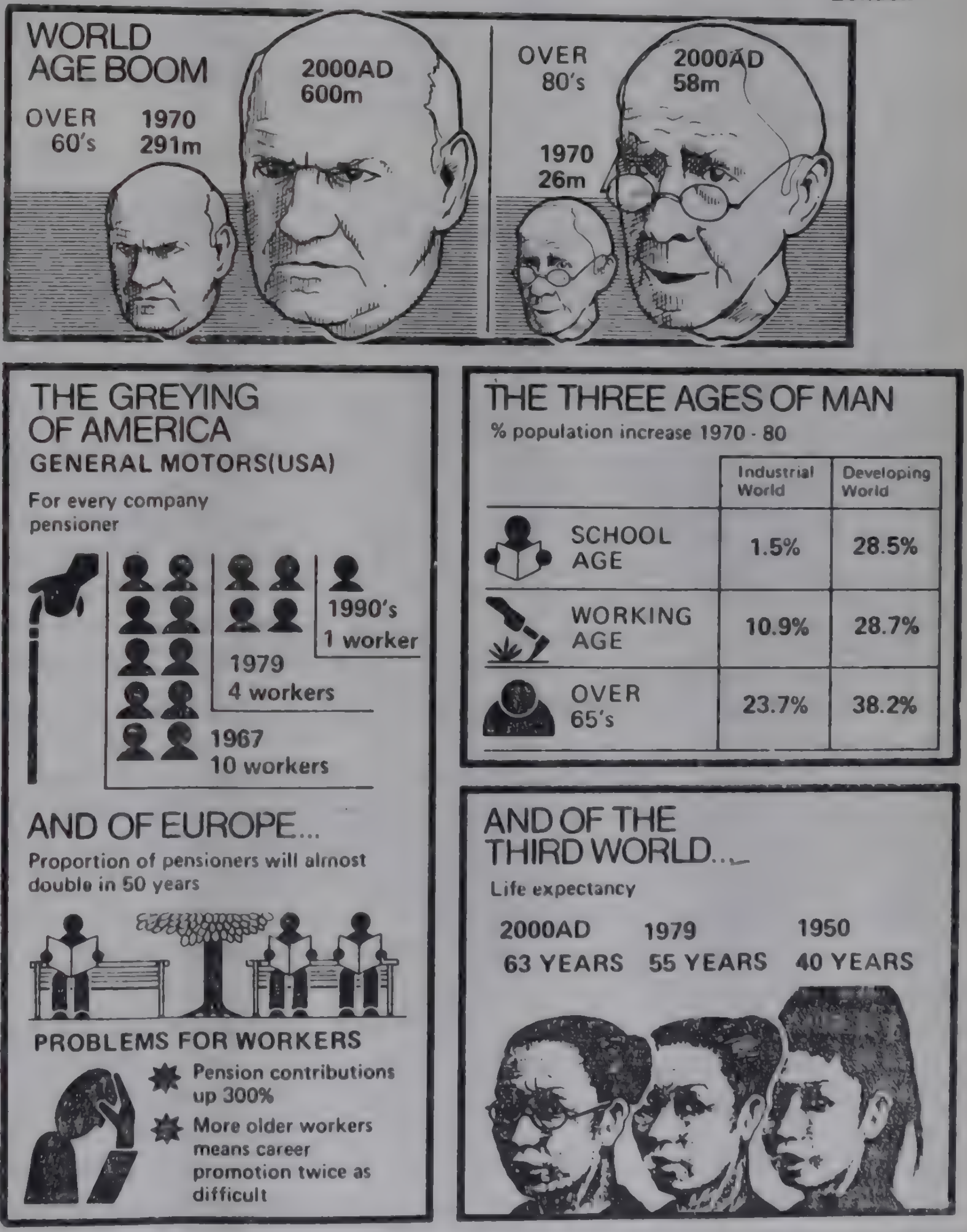
Briefly, we are dealing with a global establishment which has soared phenomenally from nearly zero-level beginnings only 10 to 15 years ago to already imposing levels today.

With these developments must come growing accountability. Population policy is fast transcending the point where it can be regarded as a fiscal sideshow. Rather, much enhanced sophistication will be necessary in future in selecting among policy alternatives, in assessing their benefits and cost effectiveness, and in allowing for demographic-

The Ageing World

Falling fertility and rising life expectancy means that the average age of the world's population is going up. This ageing process is one of the most important social and economic forces at work in the world
1979 'State of World Population' from the UN Fund for Population Activities

Peter Sullivan
'Sunday Times'
London



THE THREE AGES OF MAN

% population increase 1970 - 80

	Industrial World	Developing World
SCHOOL AGE	1.5%	28.5%
WORKING AGE	10.9%	28.7%
OVER 65's	23.7%	38.2%

Sentenced to retirement

This year's State of World Population Report warns of the economic and social consequences of a doubling in the number of the world's over 60's before the end of the century. From the out skirts of New Delhi, NEW INTERNATIONALIST co-editor PETER STALKER reports on what old-age means for one retired worker and his family.

Sixty-five years old Ramchandi has retired after a working life spent sweeping the streets of Delhi. But with no regular pension, retirement from work has come as a sentence rather than a release. Today he lives with his wife, son and daughter-in-law in a small two-roomed house on the outskirts of the city. His wife Harpyari is eight years younger and still works—as a road-sweeper like her husband, and it is her income of 37 dollars a month that the family now lives on.

"Who knows what is going to happen when Harpyari retires as well? I suppose we might have to go back to the village. But there is only my brother's eldest son there now, and he has little enough. So I don't see how he can help."

Outside the dusty street is alive with children, two of them crouching around the water-pipe on the corner noisily swilling out their cooking pans. Lakkarnath, the bearded 'guardian' of this Harijan ('untouchable') community ambles past, a huge club over one shoulder. But it's a pleasant Sunday afternoon and there is little for him to do. "I like it here" says Ramchandi, "It's a friendly community and there aren't many fights." "We moved from my village, Sahapur, a long time ago. It must be thirty five years now. There was trouble between Hindus and Muslims so we had to leave." "Finding a job wasn't easy. I spent two and a half years looking for work—doing whatever I could, like selling newspapers. I only earned about one dollar a month. Then I got a job as a roadsweeper."

Ramchandi sits on the wooden framed bench they sleep on. One of the neighbour's children wanders in and perches on his knee. The people around are always helpful, he explains. But they are not going to be able to give him any financial support—and that's one thing that's worrying him. For his nineteen year-old son Rattan has not been able to find a job.

"I've tried and I've tried" says Rattan, "I go to the employment exchange. I walk all around the factories and offices but there's nothing". The fact that Rattan, like his parents, can neither read nor write certainly does not help.

"We couldn't afford the money for books and things so he never went to school", explains Ramchandi. And in an area where unemployment can be up to 50 per cent, that keeps him right at the back of the queue—and unable to help his father just when he needs him.

So with his married son still as a dependent Ramchandi can only watch anxiously as his wife's working years run out. And even those five years now seem at risk, as his wife huddles in a corner nervously dabbing her eyes with cotton wool.

"She came home one day saying she couldn't see. We took her down to the hospital, but we're still not sure what is wrong with her, and now she is on leave from work". Harpyari looks as though she is crying and gets up and runs inside the house to avoid the attention which has now been focussed on her.

If and when she has to stop work, and if Rattan still can't find a job, Ramchandi thinks they might try the village again. He goes back once a year on a visit, even though his brothers are all dead now. The problem is that he doesn't have any land and the families of his brothers have a hard enough time feeding themselves as it is.

His city job had no pension that he could fall back on, just a lump sum payment of 800 dollars which went very quickly on food and basic necessities for the house. "And what little there was left" he explains, "went on Rattan's wedding. He didn't get a dowry, now that there are anti-dowry laws."

Whatever his father might think about going back to the countryside it is clear that Rattan has no intention of leaving. Sharply dressed in his Sunday-best of flared pants and patterned cotton shirt, he is very much a city boy for whom the village holds little excitement. Nineteen years of running around the streets of India's capital have given a taste for something different. "I'd prefer to stay in Delhi", he says, "and try to scrape a living somehow". What he'd really like is to open some kind of stall or a little shop, though there seems very little chance of that. "But I'd do anything, absolutely anything, to be able to help my parents."

Whether he will get the chance to support his father or whether the family will be split yet again remains to be seen. Whatever happens, old-age for Ramchandi looks like being more of a struggle than ever.

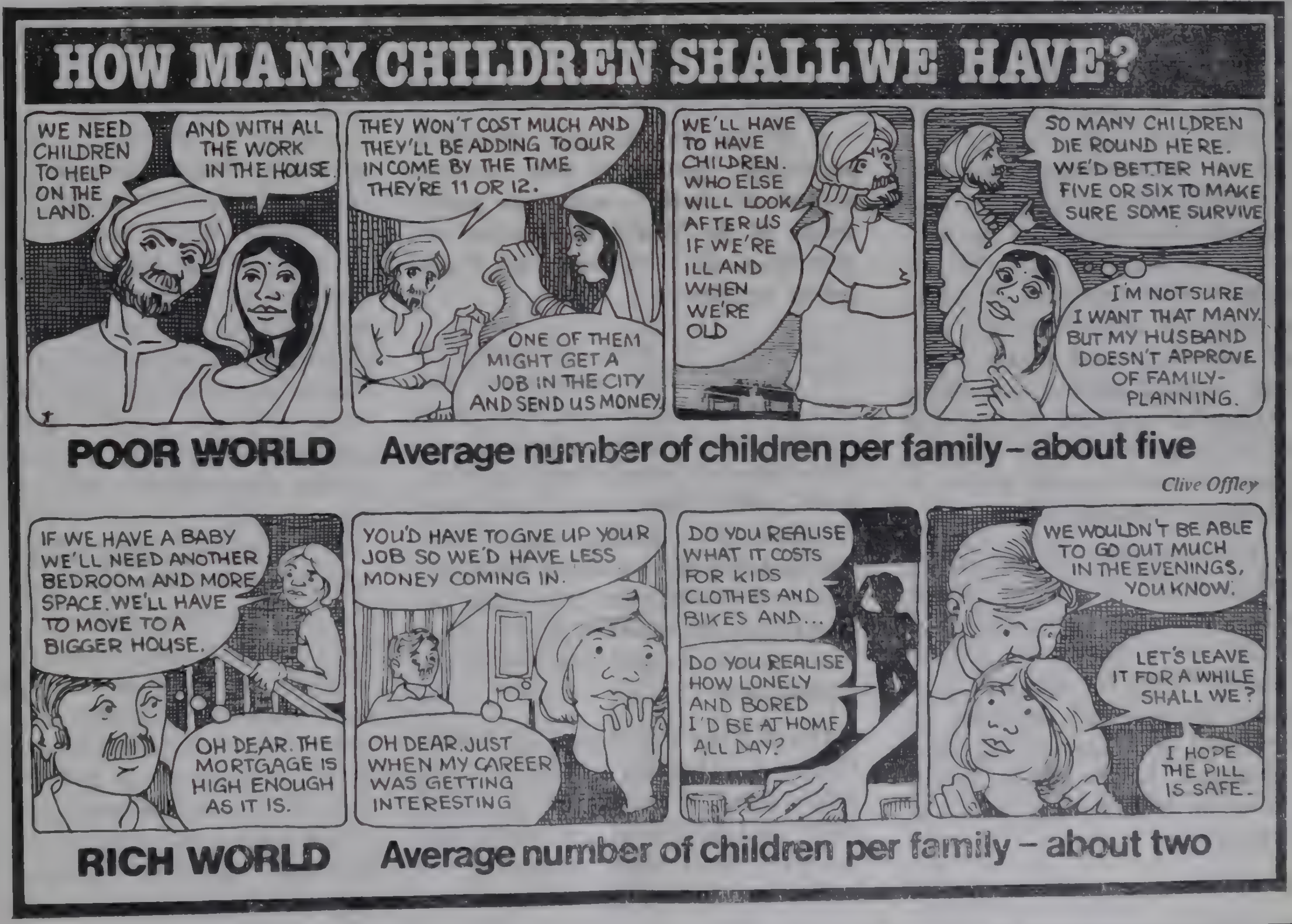
development reciprocities. Not least among the coming decade's major needs for improved demographic policy-making will be the rapid evolution of evaluative tools for analysing all of these questions. Such tools might well, in time, come to constitute entire new areas of research in the social sciences and in the literature on administration.

Events of the past decade, and realistic expectations for the future, make it appear certain that demographic policies in the decade ahead will feature an ever-widening array of "New Integrations" with development policy. The integrations envisaged will complement, yet go far beyond, government concerns with death and disease control—important though these will continue to be. They will also far transcend focus on family planning, though this will continue to be a primary concern.

One of the "New Integrations" to be expected in the 1980s is that which proceeds from development planning, and from socio-economic programming more generally, to population planning and/or programming. In a number of countries planning boards have been set up to integrate population variables in economic development programmes.

The extension of educational and employment opportunities for women, especially when combined with growing liberalisation of life styles, can have significant impacts on age of marriage and fertility. Yet we have few examples, if any, of alert population-planning adaptations designed to take account and advantage of such basic shifts in social contexts. Sex education as an adjunct to general education planning and policies has still to prove itself. National investment policies, whether of a social overhead nature or aimed at selective industrial expansion, can have major impacts on the location or relocation of labour force and population, but such impacts are seldom fully enough anticipated by either the development or population planner. Transportation and international trade policies are often primary catalysts of development. Rarely, however, are their potentials for population change adequately allowed for—not only with respect to internal migration, city-size distributions and the like, but also as they concern probable fertility impacts or required restructuring of public health and family planning programmes.

The list of potentially important


HOW MANY CHILDREN SHALL WE HAVE?
WE NEED CHILDREN TO HELP ON THE LAND.
AND WITH ALL THE WORK IN THE HOUSE.
THEY WON'T COST MUCH AND THEY'LL BE ADDING TO OUR INCOME BY THE TIME THEY'RE 11 OR 12.
ONE OF THEM MIGHT GET A JOB IN THE CITY AND SEND US MONEY.
WE'LL HAVE TO HAVE CHILDREN. WHO ELSE WILL LOOK AFTER US IF WE'RE ILL AND WHEN WE'RE OLD
SO MANY CHILDREN DIE ROUND HERE. WE'D BETTER HAVE FIVE OR SIX TO MAKE SURE SOME SURVIVE
I'M NOT SURE I WANT THAT MANY. BUT MY HUSBAND DOESN'T APPROVE OF FAMILY-PLANNING.
POOR WORLD
Average number of children per family – about five
Clive Offley
IF WE HAVE A BABY WE'LL NEED ANOTHER BEDROOM AND MORE SPACE. WE'LL HAVE TO MOVE TO A BIGGER HOUSE.
OH DEAR. THE MORTGAGE IS HIGH ENOUGH AS IT IS.
YOU'D HAVE TO GIVE UP YOUR JOB SO WE'D HAVE LESS MONEY COMING IN.
OH DEAR. JUST WHEN MY CAREER WAS GETTING INTERESTING
DO YOU REALISE WHAT IT COSTS FOR KIDS CLOTHES AND BIKES AND...
DO YOU REALISE HOW LONELY AND BORED I'D BE AT HOME ALL DAY?
WE WOULDN'T BE ABLE TO GO OUT MUCH IN THE EVENINGS, YOU KNOW.
LET'S LEAVE IT FOR A WHILE SHALL WE?
I HOPE THE PILL IS SAFE.
RICH WORLD
Average number of children per family – about two

examples is nearly endless, but the principle is essentially the same: Population planning needs to become a more effective arm of overall development planning, not only as an active change agent in its own right, but also as a resource closely attuned to other realms of policy for actively affecting development. To these probable major areas of new substantive integrations should be added a variety of evolving or relatively novel integrations of a procedural administrative nature. In particular, two such items might be mentioned.

One is that country-to-country (or region-to-region) technical assistance by Third World areas among themselves needs to be increased as experience and expertise in demographic-development policy-making accumulate in these areas. The UNFPA already has a small but valuable body of experience in such horizontal assistance on which such an increase may be founded.

A second is that international agencies in the population assistance field will have to concern themselves increasingly not only with fertility and mortality but also with spatial distribution, if its activities are to become more closely consonant with practical development needs in aid-receiving areas. As an adjunct to such activities, as we have found, institution-building and expanded support of national research capabilities for meeting own policy needs could prove to be especially valuable.

Relative newness of population policy directions is not, of course, equivalent to relative priorities. Undoubtedly over the next decade, and almost surely for many decades to come, major policy attention by national and international agencies will continue to focus on family size and birth planning, in short on fertility.

The changing population picture over the past three decades may be usefully viewed in three thematic frames: The Fifties was the decade in which the "population problem" was perceived and studied by demographers primarily as questions of morbidity and mortality. The reason for this was that since there had been a rough and ready balance over centuries between birth rates and death rates, population increase had been relatively slow. But soon after World War II when the programmes to eradicate infectious disease were successfully launched, the demographic balance changed drastically. This concern was reflected in the demographic literature of the period.

The rapid increase in population growth that became apparent in the decades of the Sixties demanded and brought about a shift of emphasis to the fertility factor in population growth.

In the Seventies the awareness of the need to regard population as an important and integral factor in the entire process of development increased and was given universal political recognition.

The decade that lies ahead, taking into account the trends in fertility, mortality and other demographic factors, and their impact on development, demands the substantiation of that recognition. The Eighties, therefore, will be the decade in which population would be integrally embodied in development policies and programmes. It makes it essential, therefore, to include population issues as one of the central concerns of the International Development Strategy.

Slow-down spreads

A decline in the rate of world population growth is now "evident beyond all doubt", says this year's 'State of the World Population' report from the UN Fund for Population Activities.

Drawing on new estimates by UN analysts, the report concludes that two billion of the developing world's three billion people "have been reducing their fertility substantially". With birth rates continuing to slide in Europe, the USSR, North America, Australia, New Zealand and Japan, this means that the trend towards smaller families has now spread to three-quarters of the human race.

Despite the new figures, UNFPA Executive Director Rafael Salas warns that "it would be a grave error of judgement to make the tempting leap from pessimism to optimism and suppose that the 'population problem' has been solved". Rapid population growth over the last few decades has left the Third World with 40 per cent of its people under the age of fifteen and about to enter their child-bearing years. So even if the present fall-off in fertility rates is maintained for the next twenty years, says Salas, "this will not prevent the world's population from increasing by nearly two billion" by the end of the century.

Furthermore, nine tenths of the additional two billion people will live in the developing world where 20 per cent of the population is already severely malnourished, 30 per cent lack safe water or health care, 40 per cent are unemployed or underemployed, and where 50 per cent of the over-fifteens are illiterate. In this context the pace of population growth, although definitely slackening, is still seen as "clearly excessive" by the governments of over 80 per cent of the Third World's people, says the report.

An Ageing World

The UNFPA's 'State of World Population' report is now an accepted annual score-board of population growth. But the 1979 edition goes further than chalking up the latest head-count and attempts to put the whole issue of population growth into a new focus. Tracing the short history of population concern, the report says that the 1950's were dominated by worries about high death rates, the 1960's by fears about high birth rates, and the 1970's by widespread acceptance of the fact that development and rising living standards are the key factors in slowing down population growth. The need of the 1980's, says Salas, is for population policy to be fully integrated into national and international planning in order to deal with the consequences of "revolutionary shifts in demographic processes" which the world is now living through.

One of the 'revolutionary shifts' singled out in this year's report is the rapid ageing of the world's population. Falling birth-rates and rising life-expectancy have combined to push up the average age of the world's people. World-wide, there will be twice as many over 60 year-olds and over 80 year-olds by the year 2000 as there were in 1970. The resulting change in the 'dependency ratio', says UNFPA, will have social and economic consequences for almost every nation.

In the United States, for example, there are now six working people for every one retired person. In fifty years' time the ratio will be only three to one. Europe, with its proportion of pensioners poised to double within fifty years, faces similar problems. According to the distinguished French demographer, Jean Bourgeois-Pichat, this change in Europe's age structure could mean that up to four times as much will have to be taken from every worker's pay packet to provide for old age. And because there will be proportionately more 'seniors' and less 'juniors', career promotion is likely to be twice as difficult.

In the Third World, where life expectancy was about 40 years in mid-century and will be about 63 years by the century's end, the ageing of populations "is likely to place intolerably heavy burdens on an already overburdened group".

Unless governments are aware of and plan for such demographic changes, argues the report, then their investments in pensions and health and social services for the elderly will be out of phase with the make-up and the needs of their populations.

Grass to Concrete

A second 'revolutionary shift' is the surge of people to towns and cities. "World urban population has doubled since mid-century", says the report, "and will double again before the century is over. These are phenomenally rapid trends by any historical standards and are bound to have radical-to-revolutionary implications for national economic and social structures".

One such implication is the clear threat of food shortages. In 1950 the developing world had six rural people for every one city-dweller. Today the ratio has fallen to three to one and by the end of the century it will probably be only two to one. This is what lies behind growing governmental concern about 'spatial distribution' and again it is a demographic trend which the UNFPA feels should be integrated into development planning. At the moment, approximately 80 per cent of government spending in the Third World goes to the urban areas—one reason why half of the increase in city size is accounted for by the mass migration of people from the countryside.

Dwindling Nations

'The most serious population problem of the more developed parts of the world", says the report, "is the tendency for family size to drop below replacement levels. United Nations estimates which have just been issued suggest that 'bare replacement' is a prominent possibility for the rest of the century."

Eleven developed countries have now reached, or are very close to, zero population growth. First across the line was East Germany in 1969, followed by West Germany in 1972, Luxembourg in 1974, and Australia in 1976. Today, Czechoslovakia, the United Kingdom, Belgium, Denmark. Hungary, Norway and Sweden are all hovering around zero population growth, soon to be joined, if present trends continue, by Finland, Bulgaria, Greece, Italy and Switzerland in about 1990, and by France and Holland towards the end of the millenium. The United States and Japan are not far behind. The proportion of American wives who want only one or two children has leapt from half in 1966 to three-quarters today.

The governments of 40 per cent of the people in the industrialised world now feel the need to raise the national birth rate. But perhaps more important is the need to integrate falling birth-rates into government planning and prepare for a proportional "shift of resources from familiar forms of young-age dependency such as assistance for child health and education to welfare systems for the aged."

The main thrust of the 1979 'State

of World Population' report is to take demographic trends out of the footnotes of specialist concern and put them into the main text of development planning itself. Population trends, says Salas, "now rank with the foremost determinants of social developments of our times".

Two billion new arrivals

The 1979 'State of World Population' Report points out that world population will increase by almost 50 per cent by the year 2000. '*New Internationalist*' co-editor Peter Adamson discusses the impact of two billion new arrivals on the struggle against world poverty.

At first sight an increase of two billion in the world's population spells nothing but trouble. Ninety per cent of the 'new arrivals' will be born into the developing world where 200 million are already severely malnourished, where the majority already lacks safe water and adequate health care, where half of the over-fifteen are now illiterate, and where up to a third of the labour force cannot earn a decent living for themselves and their families. On top of all this, half as many people again in twenty years can only make things worse.

This way of looking at the problem is not only pessimistic, it is also wrong-headed. Let's start again.

Population is not the problem. The problem is whether the planet's finite resources and the way in which they are used can provide a decent and dignified life for all its people. And that is a very different question. As the economist Barbara Ward has said, "the problem is not one of absolute physical shortage but of social and economic maldistribution and misuse".

Take food. Are 200 million people hungry because the world cannot grow enough food to feed all its people? No. According to the UN Food and Agriculture Organisation in Rome, the world grows twice as much food every year, in grains alone, as is necessary to provide enough food for every man, woman and child on the earth. And up to four times as much food could be grown using presently available land and presently available technology. So malnutrition cannot be explained by the simple formula 'too many people too little land'.

It can be better explained by looking at how available land and technology is used—by whom, to grow what crops, and for whose benefit. In Central America and the Caribbean, for example, more than half of the children are malnourished and more than half of the agricultural land is being used to grow fruit and other crops for export to the developed countries. In the Sahel, even during the great drought of 1974, the production of export crops like peanut from a country like Mali actually went up, according to World Bank figures, whilst tens of thousands of people starved. In Colombia, where malnutrition is also common, fertile land is used to grow eighteen million dollars-worth of cut-flowers a year for the industrialised world.

The message contained in these examples was succinctly summed up by the former FAO Director General, Adeka Boerma who told the World Food Conference in 1974 that "the market, playing freely will always feed the rich".

The fact of the matter is that only the poor starve. And they starve only because they are poor—because they cannot afford to buy the food that is grown, or the much greater quantities of food that could be grown, or the land and the means to grow food for themselves. In short, economic demand is put before human demand and poverty, not population growth, is at the root of food shortages.

Or take health. Do one billion people lack health care because there are too many people and not enough doctors and hospitals? Again, the answer has to be 'no'. According to the World Health Organisation, 80 per cent of illness caused by infectious disease could be prevented if every family had access to safe water supplies. To achieve that would cost about three to four billion dollars a year for ten years (World Bank figures). It is a lot of money. About four per cent of what the industrialised world spends on alcoholic drinks every year.

Lack of Potable Water

Even within the resources of the developing world itself, it cannot be seriously argued that it is population growth which has swamped efforts to raise health standards. The World Health Organisation estimates that 80 per cent of the health budgets in the developing world as a whole are now being spent on providing curative medicine serving only 20 per cent of the people. A recent survey in five Latin American countries, for example, has shown that expenditure on medical care and cure is ten times greater than on water and sanitation systems. And this is despite the fact that more than three-quarters of all cases of ill-health can be traced to the 'big three' causes—inadequate nutrition, lack of safe water and unhygienic sanitation.

The task of improving the health of the majority of the world's people, as World Health Organisation Director General, Halfdan Mahler has repeatedly pointed out, is primarily a task of low-cost prevention for the many rather than high-cost cure for the few. Barbara Ward's accusation that the problem is primarily one of 'maldistribution and misuse' is therefore also closer to the heart of the health problem than is rapid population growth.

Similar analyses could be made for other basic building blocks of a 'decent and dignified life'. UNICEF has pointed out, for example, that 50 per cent of the resources available for education in the developing world as a whole are being devoted to a small minority of the school-age population. And World Bank estimates for five major cities —Madras, Ahmedabad, Nairobi, Mexico City and Bogota—show that the cheapest government-subsidised housing now being built is only affordable by the richest 30 per cent to 50 per cent of their urban populations.

Global Issue

At the global level also, the question of whether the world's resources can provide an adequate life for the world's people, which is the real context of the population issue, must take into account the present use and distribution of those resources. It must take into account, for example, that the poorest 70 per cent of the world's people have less than 10 per cent of the world's wealth; that a child born into the developed world will consume between twenty and forty times as much of the world's resources as a child born into the developing world; that the Third World as a whole receives only thirty billion dollars a year for its major exports which then sell, in finished form, for more than two hundred billion dollars a year in the importing countries.

These facts seal the link between rapid population growth and the Third World's search for a New Economic Order in which future opportunities for the creation of wealth and jobs and income would be more equitably distributed. Add to that the now widely-accepted fact that the raising of living standards is the key element in the lowering of birth-rates, and the case for placing the major emphasis on reducing poverty rather than on reducing the numbers of the poor becomes watertight. For in the last analysis, the question of whether the world's wealth can provide a decent and dignified life for all the world's people is, by definition, as much a question of wealth control as of birth control and as much a question of the consumption explosion in the industrialised world as of the 'population' explosion' in the developing world.

Vanishing tribes

"The most serious population problem of the more developed parts of the world is the tendency for family-size to drop below replacement levels" says the 1979 'State of World Population' Report from UNFPA. The *New Internationalist's* Anuradha Vittachi writes on the causes and consequences of the industrialised world's march towards smaller families and zero population growth.

All over the world people are deciding to have fewer babies. The birth-rate among the combined populations of Europe, the USSR, North America, Australia, New Zealand and Japan is now barely at replacement level. And in Africa, Asia and Latin America, two out of every three people are living in countries where the birth rate is falling substantially.

It is in the industrialised world that family size has dwindled most. Sixteen years ago the average American child had about three brothers or sisters. Today, he or she has statistically less than one. In Japan, a recent survey showed 40 per cent of women wanting no more than two children. And two surveys in West Germany have indicated that the number of adults who wanted only one child multipled five-fold in the two years between 1974 and 1976 and the number who wanted no children at all doubled in the same period.

Economic pressure is the main brake. A woman who has a baby usually gives up work, thereby reducing the family income at the same time as increasing family expenditure. For unlike the children of the developing world, who cost little extra and can be economic assets by the age of ten, children in the affluent world remain expensive financial liabilities at least until their education is finished. In the meantime, parents expect to provide their children with watches, bicycles, record - players, fashion - clothes, books, money for school trips abroad, music lessons, spending-money, movie money and—most expensive of all—extra space. One more in the family means another bedroom and maybe a larger house.

With the harassed mother's need for expensive labour-saving equipment or even more expensive human help, bringing up a family in the industrialised world can be the most costly proposition that a couple ever undertakes.

Deciding against children is an obvious short-term economy, as well as leaving parents free to live their own lives.

But there are long-term economic

and social prices to be paid. The population of the developed world as a whole is ageing as life expectancy rises and birth-rates fall. So the few children of today will have to support both financially and emotionally the many elderly of tomorrow. In the America of one generation ago, for example, there were nine workers for every retired person. Today there are six. Within fifty years there will only be three.

The Lonely Child

And there are other, more important costs, all borne by the child. Most evident is the child's isolation. Because parents are having fewer children, the child 'loses' brothers and sisters. And because the extended family is being broken up and scattered by increasing social mobility, the child loses grandparents, aunts, uncles and cousins. Family reunions become smaller and less frequent, alternative 'home-from-homes' become less familiar, opportunities for reciprocal family help between the generations diminish. As the family network fades away, the child's isolation intensifies. The relationship between the lonely child and his parents can become too intense for his own good. As a head teacher explains: "The lonely child overexposed to adult company exhibits a surface precocity that masks an emotional inexperience. As a result, his parents have unrealistic expectations of him, and at the same time overprotect him. The combination can cripple his development."

But the most frightening loss to the child can be the loss of the parents themselves. Divorce rates are rocketing. Every year, for example, divorce cases leave a million American children in single parent families. It is estimated that at least one in three children born in America in the 1970's has lived or will live at least some part of his or her childhood in a single parent family.

Even more widespread is the loss of the full-time mother. Throughout the industrialised world, the number of mothers who go out to work has jumped dramatically in the last decade. Sometimes mothers resume careers within months of childbirth. One French teenager describes how the mothers in her street "left for work as the nanny came from door to door collecting all the little babies." Older children often lack even a substitute mother—America now has over one million 'latch-key kids'.

The vacuum created by this 'emptying' of the family is being filled by an important new member of the household—the television set. By the age of seventeen, the typical US boy or girl has sat for 15,000 hours in front of the 'flickering blue parent' and been entertained by 18,000 murders.

Economic Rationale

The economic rationale for smaller families clearly masks a darker emotional change. For children in the affluent world are increasingly seen as burdens.

Nowadays, many women *expect* to work and only *elect* to have children. So a woman and her work may be tied by a strong bond of personal satisfaction more real to her than the mixed blessing at the end of an umbilical cord. If such a woman does choose to have a child she may well communicate her own ideas about freedom and personal fulfilment to her child, and then resent him further for being doubly demanding and burdensome.

The child has even come to be seen as a threat to parents, instead of a bond between them. A childless wife admitted: "I've always been afraid something might go wrong between Tom and me. Having a child might disturb what we have." A young mother from England explains how the tensions can grow after child-birth: "It is a time of new isolation and new anxieties for the mother. And it is also the time when the father is beginning to advance in his career and is preoccupied with his ambitions and self-doubts which he wants soothed away in domestic bliss.

"Unfortunately it is not domestic bliss which reigns after childbirth, but domestic chaos, sleepless nights, a tired apparently incompetent wife who can't explain why the baby is awake again, why she doesn't want his mother to come and help out, why she gets hurt if he doesn't get up with the baby in the night when, good grief, he's got a very important meeting the next day, and doesn't she ever think about anything else except the baby.

"It is also an expensive time. Dad has to work even harder and worry even more. And when he gets home he can't stand the emotional dmands of a wife who has been alone with no adult company all day. Apparently she needs reassurance at the same time! How inconvenient. And there goes the baby again, scream, scream. It is not surprising that most physical abuse is directed against children under three, or that this is the peak season for divorce."

Negative Pressures

The psychological effect of these negative pressures on the child is uncharted land. No less an authority than Dr. Halfdan Mahler, Director-General of the World Health Organisation, has expressed his anxieties about "the trauma of rejection suffered by so many children in the affluent world today."

A psychiatric social worker (herself the mother of six children) gave her view: "People frighten themselves out of family life because of their worries about security or individual fulfilment. But it seems to me the only way to individual development and happiness is through facing deep relationships, not avoiding them. Family life provides the forum for that. It certainly includes pain but it's not necessarily the worse for that. And the rewards are lifelong."

Multi-storey nonsense

The cities of the developing world are poised for a doubling in population over the next 20 years. And already, a quarter of all city-dwellers live in slums and shanties. In this outspoken criticism of his own profession, the well-known Indian town planner, J.B. D'Souza, shows why conventional housing strategies can no longer cope and argues for a new approach towards housing the urban poor.

The most important thing about houses for the poor is that they should be low-cost. We tend to forget that most obvious of facts. And we also tend to substitute our own ideas of what is 'low-cost' for those of the poor whom we pretend to serve.

In India, for example, houses costing $1800 to $2500 are generally regarded as houses for the poor. But if you work it out you find that a 20-year hire purchase arrangement for a house costing $1800 at five per cent interest (you cannot get better terms than this) involves a monthly repayment of $14.50 a month. Your monthly income has to be at least $86 for you to afford such a rent and that rules out all but the top five per cent to ten per cent in our country's income scale. The rest must have housing that is very much cheaper, beginning below a tenth of the figures we have been talking about. So we use up our meagre resources in public housing schemes for those who are better off and leave the poor uncovered.

I like to recall what Mr. Laurie Baker, the Kerala architect once wrote to me (and I hope he won't mind my quoting him): "We are still MILES wide of the real mark when we talk of a cheap house costing Rs. 3,000. We are no (expletive deleted) good until we can do a 300 rupee house."

When it operates at all, the cost constraint usually makes planners locate poor peoples' housing in outlying places far from the nerve centres of a town. Quite often these marginal sites have no public transport service to bring settlers to their work places, but even where they do, planners forget that daily commuting costs add to the amount a settler has to spend on his house.

Having located our poor man's house we must ask ourselves what kind of dwelling it should be Or rather, we should ask the poor man himself—something our planners seldom do. Where do you find architects designing clients' houses without ascertaining what their wants are? Only in public housing projects and specially in housing for the poor.

Watch how the poor live then, before trying to impose on them the kind of living you and I prefer. Our homes are planned to meet our own evergrowing list of wants; our houses must be designed for privacy, for shelter from the rain, the sun and its heat, for light and ventilation and hygiene and sanitation and elegance and aesthetic value—and for eternity too. The poor too, want some of these things, but not in quite the same way. Privacy ranks nowhere near as high on the list as it does with us; durability is largely irrelevant to a man who is well accustomed to repairing and renewing certain components of his ample dwelling place at least once a year. Light and fresh air are plentiful and free to poor families; they spend a much larger proportion of their waking hours out-of-door.

A shortcoming that afflicts most designers of urban houses for the poor is their inability, or reluctance, to remember that many of our squatters and slum dwellers have moved from their villages not so long ago, and remain, in all but location, rural people. They carry their rural habits with them. In a village you walk into your neighbour's house as easily as into your own. There is, particularly among the women, an unusual amount of communion and interaction in the common areas outside their houses, where so many of their household chores are done. Children play without fear in these common areas within sight of their own parents or other elders.

Cluster Housing

There is nothing wrong with carrying this life style into our towns, especially for our poor, but their houses must be designed to enable it. Their living space must easily extend outdoors, and houses should be arranged in clusters around small common areas where interaction is easy, but cars cannot enter, so that children can play safely.

It is fairly clear that a life style of this kind is not compatible with many-storeyed housing. This at once bring us up against a widespread myth: the misconception that land shortages in cities make many-storeyed houses inevitable.

Houses in multi-storeyed buildings are usually far more expensive than ground floor houses, and even where land is costly, it contributes only fractionally to total costs.

To achieve an economical density with ground floor houses requires some tinkering with the extravagant building codes and byelaws that our municipalities enforce, regulations that often ensure a waste of at least enough land around a house to let a car drive around it! Planners the world over tend to write such prescriptions. Here is a paragraph from a booklet about poor peoples' housing in South America:

The Snag

"The snag in the poor countries is that those professionally concerned with housing, be they foreigners or locals, always think in terms of a way of life represented by a European or North American house. Just see what happens when you try to put over to an architect the notion of a "provisional house." While the poor client is doing what he can to protect his bed from the rain, our good friend is thinking of things like liquid gas."

Our building codes need other changes as well. We must get them to recognise rudimentary building materials like mud and thatch, with which poor people have always put up very liveable houses. It is ironical and sad that the very codes that seek to safeguard living standards ensure that decent, liveable houses remain unrecognised and therefore deprived of municipal services, simply because they are not made of cement and steel. So that the threat our planners hold out—that a departure from their sacred norms and specifications will lead to slum conditions—becomes a self-fulfilling prophecy of doom.

Citadel of Codes

If the citadel of codes and byelaws can be stormed, it may become possible for public housing authorities really to serve our people by offering a whole range of alternatives to the urban poor. The choice would range right from just a plot equipped perhaps with a toilet, through a skeletal structure—an asbestos or bamboo roof supported at the corners, but no cladding—to a modest but complete house. Families could choose the alternative they can afford.

Let me now turn to another, often overlooked feature of a housing programme: land tenure. At the level of poverty with which we are here concerned, I believe it is most important to give settlers a secure title to the land on which they live. Only thus will you induce them to save resources for house construction and gradual improvement. Permanent ownership is a powerful incentive to incremental improvement: reasonably soon scrappy tin sheeting and ragged tarpaulin give way to brick walls and tiled roofs, but all this happens piecemeal, as occupant-owners collect their modest savings into investable lots over the years.

Indeed when we look at the problem of shelter for the poor in our country, one is driven to the conclusion that true solutions will begin not in the architectural or the engineering schools, but in the very squatter colonies that we so piously deplore. For it is in the study of the people's way of living, their use of covered space and open space, their ingenuity in choosing and using materials to build cheaply, and their almost continuous effort at maintenance and improvement, that the keys to the problem lie.

Our persistent response instead has been to seek more and more expensive technologies from advanced countries. Our continuing flirtation with prefabrication techniques for building is an almost perfect example of this: appropriate and economical in societies which suffer a manpower shortage, prefabrication in our situation of labour surfeit and materials scarcity is as irrelevant as it is expensive.

Technical Problems

There are many technical problems in designing housing programmes for the poor which, sadly, must be left to the professionals. One can only hope that the planners will ask the poor about what they really want and need, and not simply impose their own preferences. One can also hope that they will bury their theories and their codes and really soil their hands trying to build cheap.

At the moment, we have instead too many cheap housing designers who succeed in preventing the good because they prefer to pursue the best.

Indonesia : a market for iron ore?

W. Amarnath

Indonesia is coming up as a potential buyer of iron ore with a nascent steel industry and limited proven reserves. At present Japan is a major purchaser of our iron ore. With Japanese steel industry in the grip of a recession, it is prudent to explore alternative markets. Indonesia seeks to achieve fast economic growth which would essentially be based on steel production facilities. The country has comfortable foreign exchange reserves and abundant natural gas, an important raw material for steel making. The author therefore suggests that this market should be carefully watched and explored for the export of our iron ore.

THERE HAS arisen a need for search of alternative markets for our iron ore on account of the severe steel slump of recent years which has affected international trade in this commodity. This article attempts to assess the iron ore demand possibility that may exist in Indonesia.

International iron ore trade which peaked 410 million tonnes in 1974 slumped to 390 million tonnes in 1975. This trend was in contrast to the steady rise in the level of trade in the earlier years: in 1972 the volume of trade stood at 310 million tonnes which increased to 357 million tonnes in 1973.

The world steel industry is not yet out of the clutches of recession, 'World steel output which had shown a modest recovery of 4.8 per cent in 1976, from a low level touched in 1975, receded again in 1977 by about one per cent. The output of steel by some of the producers has fallen even more precipitously. In 1977-78 the Japanese steel output declined by seven per cent relative to 1976-77. In EEC the fall in output in 1977 compared with 1976, was of the order of six per cent and in West Germany eight per cent. Exports of iron ore could not be maintained at the previous level'.[1]

As a consequence, in 1977, some iron ore mines were closed down, some had to be propped up with the finances from the state, and some unable to secure remunetive prices incurred heavy losses.

This slump in trade affected this country's iron ore exports also. India produces some 40 million tonnes of iron ore a year and exports a little over 50 per cent of its production to foreign consumers. The bulk of these exports, some 78 per cent, goes to Japan steel mills. The steel recession led to cuts in production of steel from these mills. "Production in 1977-78 estimated at 100.6 million tonnes was below even 1972-73 level of 103 million tonnes".[2] Consequently Japan effected cut in its demand for iron ore which affected iron ore exports of India. The risk of heavily depending on a single market has come into sharp focus. This has spurred India to seek diversification into new outlets for its iron ore exports.

Indonesia does not have a highly developed statistical system and hence does not yield latest data on several aspects of industry, particularly steel-using sectors which are essential for our analysis.

The future demand estimates for steel and iron ore built up by experts of UNO, IISI, Brussels, and economic professors of universities[3] did not come close to actual facts of trade.

Charles Baker, the secretary general of International Iron and Steel Institute in fact stressed this point emphatically at the annual conference of IISI in Rome, October 10-12. He stated that, 'the forecasts previously made by the institute, whose reputation is firmly established, had to be revised. Compared to the estimates made at the 1974 IISI congress in Munich, plans for additional steel capacity in the western world have been cut back by 41 per cent. The most incisive cuts have been made in North America, west Asia and Africa.' To this it may be added that in its study of Philippines, the IISI expressed its inability to explain the observed phenomenon of rising GNP with declining consumption of steel with the aid of their 'steel intensity' theory.

In a recent report on "Iron Ore & Europe" it has been expressed that 'until the economists find a means of establishing reliable projections, an ability which the fundamental changes in the operating rules of the international economy in the past four years have undermined to some considerable extent, uncertainty will persist as regards future developments in the steel sector'.[4]

The task of assessing steel capacity—which is necessary in order to derive demand for iron ore—is rather simple on account of non-availability of essential data, and the risk involved for forecasting.

The practical method proposed for use in this article is to base assessments of steel capacity on information available about existing capacity, capacity under construction and capacity under consideration.

Indonesian iron and steel industry's production is dependent on remelting steel and on imported steel processed at foundries and rerolling mills. The total capacity of these foundries and rerolling mills was estimated at 676,500 tonnes i.e. about 0.7 million tonnes capacity approximately in 1972. To this a total of 0.53 million tonnes capacity had been added till 1977. Hence, the present total capacity of the foundries and rerollers in operation works out to 1.2 million tonnes. It had also been under consideration in 1972 to add a further 0.8 million tonnes capacity.

As early as 1972, there was a plan to set up the Krakatau integrated steel works. Originally the idea was to seek Soviet aid for the construction of the steel works, but it did not materialise.

Krakatau plant

Now with the assistance of the American consultants, M/s Armaco/Kaisers Engineering International, Krakatau steel plant is under construction at Jalan, Galot, Subrato Kav 54, Jakarta. The plant has been designed to have two million tonnes direct reduction capacity. It consists of four modules each with half a million tonnes capacity. The American HYL process will be employed to reduce ore directly into sponge iron. This plant was scheduled to come on stream in three phases. The first phase with 500,000 tonnes capacity was scheduled for completion in 1977, the second phase with similar capacity was to have been completed in October 1977; and the third phase in May 1978.

There has been delay in the construction work and the plant has come into operation this year. (The cost of setting up the plant was estimated at about 1,000 million US dollars. Part of the finances would come from West German banks).

The creation of a further 0.5 million tonnes of integrated steel production facilities was reported to be under consideration.

Since the foundries and rerollers are scrap-based, they would not require any ore as feed.

ore requirement

If the HYL process permits the use of calibrated lumps, the ore requirements for the two million tonnes capacity direct reduction plant would work out to a little over three million tonnes. Normally pellets are used as feed in direct reduction plants. The plants' demand for pellets can be put at about two million tonnes.

When the proposed half a million tonnes capacity integrated steel works comes into operation, the ore requirement would rise by another 0.8 to 0.9 million tonnes.

Small quantities of iron ore sand are produced from sand-beds of Cilacap and all this is exported as it is not used in the domestic steel industry. The figures of iron sand production are given below:

Year	(000 tonnes)
1977	300 estimated
1976	350
1975	353
1974	365

Indonesia had in 1967, according to UNO estimates, a total of 592 million tonnes of iron ore reserves. Of this total only 57 million tonnes are categorised as 'measured indicated and inferred'. If we deduct an estimated three million tonnes mined out over the last 10 years the total reserves currently can be put at 589 million tonnes and 'measured, indicated and inferred' ore reserves at 54 million tonnes. No new deposits have been discovered.

Most of the larger deposits are in Kalimantan (Borneo), Sumatra and West Irian. The Indonesian government reported five million tonnes in situ ore and 3.7 million tonnes of float ore with 51 to 63 per cent Fe in this area. Tenalang, Paibari and Tambage deposits were surveyed by a team from the USSR.

A large iron-copper deposit with an average of 4.4 per cent copper and 50 per cent iron in magnetite is estimated to have 30 million tonnes of ore in the Bismark Range. The Rampang group in south eastern Sumatra has less than half-a-million tonnes of ore in each deposit.

There are beach iron-sand beds along the southern coast in west central Djawa near the city of Thilatjap. The stretch is 45 kms long. Magnetic recovery from the sand is reported to be from 20 to 50 per cent. The concentrate is titano-magnetite with the following chemical composition:

	per cent
Fe	53.7
TIO_2	10.3
SIO_2	4.5
AI_2O_3	5.1
P	0.05
S	0.03

Potential ore of about 60 per cent Fe grade is estimated to be only seven million tonnes. Most of the other ores have iron content ranging between 36 per cent and 59 per cent.

small deposits

This analytical survey shows that deposits are small, of low grade and scattered. Infrastructural facilities are also reported to be poor. Hence they are not suitable for profitable development which indicates that the country will have to depend on imports for the ore requirements of its steel industry.

With the coming of the two million tonnes capacity Krakatau steel plant on stream, the absorbing capacity of this market for pellets would be around two million tonnes per year. And when the proposed additional 0.5 million tonnes capacity integrated steel works is set up, the size of the market would increase by about 0.8 million tonnes.

Since 1972, attempts have been made by our country to capture this market. Some recent reports in the newspapers indicate that an understanding has been reached between Indonesia and India according to which Indonesia would lend finances to India to build up a pelletizing plant with two million tonnes per year capacity in the Bailadila range. This plant when completed in 1983 would start supplying the entire production to Indonesia. Indonesia with its abundantly available natural gas would use these pellets in the making of sponge iron. It was also reported that some buy back arrangements have been arrived at between the two countries according to which part of the sponge iron produced in excess of its requirements in Indonesia would be bought back by India for use in the mini-steel plants.

Indonesia is an important country of the ASEAN group which seeks to integrate the markets of its member countries, namely Thailand, Malaysia, Philippines, Singapore and Indonesia, similar to EEC.

Through developmental plans Indonesia seeks to achieve fast economic growth. Presently agriculture dominates the economy, contributing 33 per cent to Gross Domestic Product. The transformation of the economy through rapid industrialisation is sought to be effected by a planned annual growth rate of seven per cent.

The country has substantial oil reserves and is a member of the OPEC. It produced 550.3 million barrels of crude petroleum in 1976 and earned US $5,438.8 million. It has abundant natural gas resources also. It was reported that 312,150,000 million cubic feet of natural gas was produced in 1976. Indonesia has comfortable foreign exchange reserves which stood at US $1,499 million in 1976.

In the long range, Indonesia's economic development would have to be based on steel production facilities which would create demand for iron ore.

This market needs to be carefully watched and analysed. With suitable strategy it should be possible for this country to capture it.

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3. Professor Malenbaum of Pennsylvania University for instance reportedly had to recast his estimates of future demand patterns of some 12 major commodities prepared in 1973.

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Regional rural banks : Rajasthan experience

Saudamini Nagar

Rajasthan has one regional rural bank functioning at present. The author, who is lecturer in Economics, Government College, Dausa, says that the bank has made creditable progress in deposit mobilisation and credit distribution yet it has incurred loss and there are large outstandings. She therefore advocates legislation that would enable the bank to recover the loans on due time and advises that the infrastructure for the proper functioning of the RRBs should be strengthened.

THOUGH A broad network of bank branches has been developed in the country yet commercial banks have not succeeded in covering materially the credit requirements of the very poor section of rural India as well as in mobilising deposits from rural areas.

With a view to dealing with the problem of providing institutional credit to small and marginal farmers, landless labourers, rural artisans etc, and also to liquidate rural indebtedness of these classes the government set up a working group, and in pursuance of the recommendations made by this group the president promulgated an ordinance viz. "The Regional Rural Banks Ordinance 1975" which came into force with immediate effect and was extended to whole of India later by legislation.

Under this scheme six regional rural banks (RRBs) came into existence up to December 1975. Rajasthan contributed to this scheme by establishing "The Jaipur Nagaur Anchalik Gramin Bank" on October 2, 1975 with United Commercial Bank as the sponsor bank.

Since then, the bank has been working as per guidelines provided by the government and during a short period of three years from December 1975 to December 1978, it showed significant progress.

The main areas of operation of the bank are Jaipur and Nagaur. It has opened a number of branches to provide loans and advances to small and marginal farmers and in this context the progress of the bank has been quite satisfactory. On December 31, 1975 only one branch was in operation while at present there are 60 branches in operation.

The bank has maintained its rapid rate of growth in the field of deposit mobilisation. Total deposits at the end of 1978 stood at Rs 296.90 lakhs as against Rs 1.03 lakhs at the end of 1975, Rs 50.92 lakhs at the end of 1976 and Rs 132.34 lakhs at the end of 1977, showing a sharp increase in deposits. This shows that the bank has made earnest efforts for the mobilisation of deposits in the rural area and cultivating savings habits among the rural masses. During the last three years the number of accounts has increased from 224 to 35,244.

As stated above, the main aim and object of establishing RRBs was to develop the rural economy by providing credit and other facilities for the purpose of development of agriculture, trade, industry and other productive activities particularly to small and marginal farmers, agricultural labourers, rural artisans, small retailers, self-employed persons, etc. Keeping this in view, the bank has made dedicated efforts in providing easy and timely financial assistance to persons belonging to the weaker sections of the society in its area of operation and earnestly tried to bridge the credit gaps. Despite its initial stage of working and various constraints, the performance of the bank in regard to total disbursement of loans and coverage of population has been remarkable.

The amount disbursed has increased by 136 per cent (from Rs 169.52 lakhs to Rs 400.84 lakhs) during the year 1977-78 while the number of persons benefited has shown a growth of 94 per cent during the same year. About 56 per cent of the total loan has been disbursed to small and marginal farmers, 12.25 per cent to rural artisans, 15 per cent of the loan to landless labourers, 8.6 per cent to self-employed persons and the rest has gone to retailers, small businessmen and other weaker sections of the society.

The bank is also participating wholeheartedly in the successful implementation of "Antyodaya Yojana" and has sanctioned loans amounting to Rs 29.64 lakhs to 1389 poorest families. It has created an institution which combines the rural touch and local feel, a familiarity with rural problems and attitudinal identification of the rural economy with the modern business organisation, commercial discipline, ability to moblise resources and access to the central money market. Due to its simple lending procedure and its regional base and rural orientation, it has made a deep impact on the people. The bank organises periodic functions in which loan distribution is carried out. These functions, and exhibitions have made the bank popular with the rural folk.

satisfactory progress

Considering its performance this RRB is growing satisfactorily in Rajasthan. It must however be pointed out that the bank has incurred heavy losses which have weakened its position. There had been a loss of Rs 5,94,500 during 1977-78. The total accumulated loss by the end of the year 1978 comes to Rs 927,000.

Profitability is the crux of the banking business, and loses ultimately shaken public confidence. The bank should therefore endeavour to convert the losses into profit. The losses are due to the following factors.

There is a lack of infrastructure in rural area. The bank is supposed to make its lending operations through the farmers' service societies, primary agricultural credit societies etc. As neither the farmers' service societies nor primary agricultural credit societies have so far been formed as proposed by the central government at the time of the establishment of RRBs the bank is lending direct to the beneficiaries. The direct lending results in higher distribution, supervision and recovery costs.

The bank operates only in favour of the poor sections of the society and has no provision for lending to medium and rich farmers. Therefore, the number of beneficiaries is more but the total loaned amount remains significantly low. This results in low rate of profitability.

lack of incentive

Another problem that the bank confronts is of more advances and shortage of deposits. The rate of growth of deposits has been much lower than the rate of growth of advances. This is because the bank provides no facilities to big and medium class depositors to attract them to deposit money in it.

Along with the loans disbursed, the outstanding loans are also increasing. During the year 1977-78 it had increased by 120 per cent (from Rs 121.71 lakhs to Rs 267.76 lakhs). This is due to the lack of authority to recover the loans and lack of proper legislation in this regard.

These problems are not of a serious nature. If some changes are made in the banking legislation which enables it to make recoveries in due time the bank will have a smooth growth. The government in consultation with the bank, should try to solve the problems.

It is important that the government expeditiously forms the farmers' service societies and the primary agricultural credit societies through which loans can be distributed at lower cost. In addition, for some period, government should subsidise the bank as its contribution to rural development programme is significant. Government may also help by raising the institutional deposits in favour of RRBs.

For maintaining its profitability the lending and deposit rates should be rational. Lending rate is one per cent lower than other institutions while the deposit rate is 0.5 per cent higher than other financial institutions which reduces both its profit and profitability. The facilities should be broadened to cover big and medium classes within certain limits.

important role

In Rajasthan a good part of the rural credit is financed by the money lenders. Therefore the expansion of regional rural bank is very important. With the co-operation of district authorities, development agencies and with active participation of gram panchayats and social workers the bank can become an important instrument of credit supply in Rajasthan.

At present the only RRB in Rajasthan is "Jaipur Nagaur Anchalik Gramin Bank" which covers credit needs of two districts—Jaipur and Nagaur. To cover the credit requirements of the whole of the state more such banks should be established. Rajasthan has a vast development potential in rural areas and establishment of RRBs will help in accelerating the pace of development of the rura economy of the state.

WHY SHOULD YOU VISIT YOUR DENTIST? I'LL PULL QUT ALL YOUR TEETH
URS
Kewy

MOVING FINGER

Some one (or, more probably, more than one) in *The Times of India* must be hating its editor's guts. Or, else how was it that he was made to look so silly on the front page of that newspaper on the morning of June 8? Mr Girilal Jain, fresh from a trans-Atlantic, trans-Pacific jaunt, reported to the nation under the caption "Pak plan for bomb more myth, less reality". Putting on that knowing air which is his trade mark, he gravely advised the government of India thus: "It seems to me on the basis of my talks in Washington that Indian intelligence men and policy-makers may be exaggerating Pakistan's nuclear capability and might therefore be well advised to check their information carefully again". Only 24 hours earlier his own paper had carried the following AFP report, datelined Paris, June 6: "The United States today confirmed its decision to cut off all development aid to Pakistan because of its nuclear programme which, Washington says, includes plans for an atom bomb". *The Hindustan Times* of June 7 carried this report in greater detail. The additional information given by it was: "The decision (to cut off development aid) was officially announced here to the Consortium of Aid to Pakistan meeting by Mr John Sullivan, leader of the US delegation .... Pakistan Finance Minisry official, Aftab Ahmed Khan, said the US decision was regrettable and resulted from a misunderstanding".

Now, what is it that Mr Girilal Jain is trying to say? That "Indian intelligence men and policy-makers" have been not only deceiving themselves, but also have ucceeded in misguiding the Pentagon and he White House? Especially in view of the urmoil in many of the Islamic countries—he boycott of Egypt by the rest of the Arab world and Iran, the anti-American ance of the Khomeini regime, the militancy of oil politics in the OPEC, the unrest in Afghanistan and the political tensions in Pakistan itself—it is extremely unlikely that the Carter administration would have taken such an important decision in foreign policy as cutting off development aid to Pakistan except for compelling reasons—and there is no cause to doubt the official American explanation that this step has been prompted by evidence of Pakistan's far from peaceful nuclear intentions. In the circumstances, Mr Jain's reference to "my talks in Washington" makes one laugh.

Mr Jain has mentioned our "policy-makers" exaggerating Pakistan's nuclear capability. Pray, who are these policy-makers, Mr Girilal Know-All editor, saheb? There is only one policy-maker in these matters—as Mr Vajpayee or even Mr Jagjivan Ram must agree—and this one is Mr Morarji Desai. Far from exaggerating the military significance of Pakistan's nuclear programmes, the prime minister has been going out of his way to play it down. Indeed, he is fond of saying that President Zia has assured him that Pakistan has no intention of building an atom bomb and that he sees no reason to disbelieve him. A harsh critic may say that fatuity cannot go further—and the danger in the situation clearly is not what Mr Jain imagines it is, but the quite contrary one that Mr Desai's stubbornness may prevent him from taking Washington's assessment as seriously as it deserves to be taken.

Indeed, it may not be in the national interest to let the political and military policy responses of the government of this country to the possibility of Pakistan arming itself with a nuclear bomb be determined exclusively by the prime minister in his faith in himself and God—in that order. There is need for a public debate, a debate in parliament and above all for a debate within the government. What is at issue is national security—no less—and it should be settled only by an exercise of collective responsibility by the cabinet in arriving at a considered judgment on the government's duty to ensure the effective defence of the country—a judgment which must also be ratified by parliament after a full and open debate. It is most certainly not a question to be decided by a single individual, in his unaided wisdom, however highly placed he may be and, equally definitely, it would be perilous for our people to leave this question to be pronounced upon by a very old man whose own expectation of life cannot be a measure of the demands which may be made on this country in the eighties.

M.O. Mathai—"bloody Mac" to those who know him too well for his comfort—is like a worn-out whore who, having lifted her skirt, has nothing more to reveal. His "My Days With Nehru" is padded piffle and it tries to capitalise in a characteristically mean way on the best-seller popularity of his "Reminiscences of the Nehru Age", in which many (among whom I was one) had found some material of historical relevance. *Onlooker* has made itself a party to this fraud by falsely suggesting that his book would repay reading, which it does not. Vikas, of course, has degraded its publishing reputation by placing on the market rubbish which is not worth the paper in which it is wrapped up.

That Vikas itself thought little of this offal which it has offered to the public and was only interested in making a fast buck is evident from the fact that the editing and the proof-reading are disgustingly slipshod. Quite obviously, Vikas decided that the stuff did not merit such ministrations and that it would in any case sell on the Mathai name. Such cynicism and lack of good faith cannot be condemned too harshly. One cannot touch pith and yet remain undefiled. Mathai has brought Vikas down to his own low level.

VB

TRADE WINDS

Syndicate Bank

THE DIRECTORS' report on the working of the Syndicate Bank says that the year 1978 was a milestone. The total deposits mobilised crossed the Rs 1,000 crore-mark and the number of branches exceeded 1,000. Syndicate Bank is claimed to be one of the few banks in this country which have both these achievements to its credit in the same year.

The bank's total deposits stood at Rs 1,076 crores at the end of December, 1978, showing a rate of growth of 27.3 per cent, which was higher than the industry average of 26.3 per cent. Rural deposits amounted to Rs 155 crores, while the small savings schemes contributed Rs 71 crores.

The amount of net advances in India made by the bank increased from Rs 566 crores in the previous year to Rs 673 crores. This rate of increase of 18.98 per cent in credit expansion, was also higher than the industry average of 13.52 per cent. The priority sectors accounted for 44 per cent of the total advances of the bank, with 60 per cent of this 44 per cent going to the agricultural sector and the small-scale industrial sector. This compares with the level of 33.3 per cent prescribed by the government for bank advances to the priority sectors to be reached by March, 1979. The total export credit extended by the bank rose to Rs 46 crores, increasing from Rs 36 crores as at the end of 1977. The bank's business in foreign inward remittances has also shown good improvement. The performance of the London branch is stated to be "very satisfactory".

The bank's operating results reveal an improvement in the net profit from Rs 1.92 crores in 1977 to Rs 2.10 crores in 1978. The total income earned had gone up from Rs 78.72 crores to Rs 93.36 crores, but the total expenditure had also increased rather sharply from Rs 76.80 crores to Rs 91.26 crores. The aggregate of reserve fund and other reserves has been raised to Rs 5.65 crores, with the transfer of Rs 67 lakhs from the profit of 1978 to the reserve fund, which consequently moved-up to Rs 3.82 crores. The report also refers to the progress made in the areas of lead bank responsibilities, expansion of the regional rural bank network and the nursing of sick units.

EEC Bags Prestige Contract

Tata Electric Companies has awarded the contract to Engineering Construction Corporation Limited (ECC) for the boiler erection of India's first 500 MW thermal power plant, a World Bank-financed project of the Trombay thermal power station of Tatas.

The boiler erection work includes lifting heavy components ranging from 75 to 110 tonnes a piece, for erection at heights up to 90 metres. ECC will assemble and erect 17,000 tonnes of fabricated components, involving welding of 22,000 high pressure joints. The structural framework with overall dimensions of 35M× 45M and rising up to a height of 87M, will house the steam generating components like economisers, steam drum (weighing 260 tonnes), pumps, furnace, superheater system and burners at various heights. Sophisticated high capacity equipment is planned to be imported to handle the job efficiently and complete the work within a tight time schedule. Such equipment includes a 300-tonne lifting capacity crawler crane with ringer attachment, a 100-tonne payload capacity tractor-trailer combination and a fast-moving passenger-cum-material hoist.

Excise Exemption for Laminated Jute Bags

The central government has exempted with immediate effect, laminated jute bags from the whole of excise duty. According to a Finance ministry press note, a number of representations had been received by the government, both from manufacturers of laminated jute bags and fertilisers urging government to exempt these bags from excise duty leviable thereon at the rate of eight per cent ad valorem. It was represented that more than 80 per cent of the bags were used for packing fertilisers and that the imposition of excise duty on the bags would increase the price of fertilisers, thereby whittling down the excise duty concessions extended to fertilisers in the 1979 budget. After careful consideration of the points raised in the representation submitted to the government, and keeping in view the policy of bringing down the price of fertilisers, the government has decided to completely exempt laminated jute bags from excise duty.

Dollar-Rupee Rate

The US dollar has becom cheaper by 20 paise followin the Reserve Bank's revision o the rates for buying and sel ling US dollar currency note by the banks and mone changers both from tourist and the public. The new rate fixed by the RBI are: buyin Rs 7.50 and selling Rs 8.3 per US dollar. This is th maximum reduction in th dollar price in recent times.

Foreign Travel Tax

The government has decide to replace the present irksom ad valorem tax on foreign trave with a new and simpler on from June 15. Under the nev scheme, the foreign travel ta will be payable by a pasanger whether he travels by air or sea at the uniform rate of Rs 10 at the point of embarkatio for international journe excepting for the notified neighbouring countries—Bangladesh, Nepal, Bhutan, Pakistan Afghanistan, Sri Lanka, th Maldives and Burma. In thei case, the tax will be Rs 5 only.

The new scheme is base more or less on the syster prevailing in many other countries, including Japan, Pakistan, Indonesia and Singapore.

At present, an ad valore tax of 12.5 per cent of th fare paid or payable in India currency is being levied on passenger undertaking an inte national journey.

Explaining the salient featu es of the new scheme at a pre conference, minister of sta for Finance, Mr Satish Agarw said that the existing reven of Rs 10 crorer from the t would remain practically t same, but the passengers wou get considerable relief becau it would be no longer possible to evade tax by buying tickets in foreign currencies or in foreign countries.

Mr Agarwal further said that after the introduction of the new scheme, the airport service fee of Rs 20, which is being levied at present by the International Airports Authority (IAA) at metropolitan cities of Bombay, Calcutta, Madras and Delhi, would be withdrawn.

The exempted categories of passengers are as follows: (1) Passangers in transit who continued their journey on board the ship or aircraft by which they arrive or passengers arriving by air when they leave for a place outside India by the next available flight provided on arrival they do not go beyond the customs barriers; (2) Diplomats, consular officers and UN officials are exempt from payment of customs duty in respect of personal or household effects and; (3) Passengers, travelling by ship between Rameshwaran and Talaimanar in Sri Lanka.

Damodar Valley Corporation

A top level team which included the chairman, Central Electricity Authority (CEA), visited Damodar Valley Corporation recently. They had been sent there by the minister of Energy, Mr P. Ramachandran, to study the problems being faced by the DVC. The minister was concerned about the inadequate generation of power by the DVC which had been affecting coal production. The team reported to the minister on return that supply of coal to the thermal power station would no more be a problem. Arrangements have also been made for assured supply of 50 MW of power to the coal mine areas. There was, however, problem of forced outages which had been attended to by the team.

The question of wage revision and service conditions of the workers came up for a review at the meeting with the minister. The minister directed that the chairman, DVC should soon be called to Delhi to devise incentive schemes for the workers and also for filling up higher managerial posts through engineering personnel from within the organisation. This was expected to improve the performance of DVC. The posts of general manager and the deputy general managers were also expected to be filled from within the organisation.

BHEL-Siemens Tie-up

The cabinet sub-committee on the proposed BHEL-Siemens agreement met on June 8, under the chairmanship of prime minister, Mr Morarji Desai and directed the Foreign Investment Board, which had earlier approved the proposal, to recast it in the light of the discussions within the cabinet sub-committee and the report of the secretaries' committee. The issue will be put up before the cabinet towards the end of the month.

The Foreign Investment Board which is chaired by the secretary of Economic Affairs, includes the three secretaries of the ministry of Industry apart from the secretaries of Planning, Commerce, Science and Technology and Electronics. It will also associate the user departments. The panel would have discussions with the Foreign Investment Board, which had cleared the project.

During the meeting the subcommittee discussed the unanimous report of the earlier committee of secretaries which had emphatically expressed itself against the tie-up. The committee had suggested that the cooperation agreement should be reviewed to make it more flexible and on a product to product basis. The tie-up, however, envisaged a long term cooperation agreement for a large number of products including the products having export potential. The committee had stated that such a tie-up would be against the country's interests.

Mark Marks Up Singapore

The tiny state of Singapore has attracted more German private investment than the Indian sub-continent. In 1978, for the first time, India lost to Singapore its fourth position amongst the Asian countries where German companies have investments. Israel tops the list of Asian countries with German investment, followed by Iran, Japan, Singapore and India. Hong Kong is holding the 6th position. Considering the substantial spurt of German investment during 1978, even Hong Kong might overtake India soon.

The following is the list of Asian countries with more than DM 50 million German private investment :

Country	German investment as per 31-12-77	German investment as per 31-12-78	%increase over 1977
	In DM million		
Israel	592.6	584.9	—1.3
Iran	417.6	528.3	+26.5
Japan	309.6	354.8	+14.6
Singapore	162.5	199.8	+23
India	174.6	179.1	+ 2.6
Hong Kong	103.1	140.8	+36.6
Indonesia	115.2	108.3	— 6
Pakistan	59.3	60.1	+ 1.4
Malaysia	48.4	53.1	+ 9.7

Total German investment in these nine Asian countries hardly exceeds one year's German investment in the USA (investment in 1978 : DM 1, 886 million). Total German investment in India is less than half the amount which German industry invested in Switzerland during the last year alone (1978 investment: DM 391 million).

In 1978, the bulk of new German private investment went to the USA. Twelve countries alone accounted for 87.3 per cent of German investment made abroad in 1978.

Mineral Investigation

The Geological Survey of India (GSI), proposes to intensify further its investigation and exploration effots during the current year to tap reserves of economically exploitable minerals. A total of 147,000 meters of drilling is envisaged for 1979-80 as against the drilling of 120,408 metres last year. Of this, 50,000 metres will be in the coal sector, 44,000 metres in base metal deposits and bauxite and 28,000 metres set for completion in respect of other non-ferrous minerals.

The plan budget estimate for GSI during 1979-80 is about Rs 13.06 crores against the budget estimate of Rs 11.50 crores and the revised estimate of Rs 8.34 crores, during 1978-79. The sixth plan outlay for GSI is Rs 70 crores, which is nearly Rs 30 crores more than the outlay of Rs 40.43 crores during the fifth plan. Significant progress was achieved by the GSI last year. This included the establishment of substantial reserves of copper in the Banwas block of the Khetri Copper belt and of one million tonne of copper reserves with 1.2 per cent copper in the Baleswar area of district Sikar in Rajasthan. Completion of the time-bound East Coast Bauxite Programme led to the establishment of reserves of the order of 1628 million tonnes of bauxite ore in Andhra Pradesh and Orissa.

The Marine Geology Division of the GSI carried out exploration of the continental shelf. Studies of the Krishna-Godavari pro-delta were taken up in the Kakinada offshore areas, as also exploration for diamonds in the beaches and offshore areas of south Andhra coast and for ilmenite in the black soil of the Ratnagiri offshore areas.

New Shipyards

Proposals for setting up shipyards at Hazira in Gujarat and Paradeep in Orissa will be placed before the Public Investment Board within the next three months. The detailed project reports for these sites have already been received by the Shipping ministry from Ishikawajima—Harima Heavy Industries Co Ltd, Tokyo. The The ministry has now set up special cell with a director in charge for follow-up action. This cell will make a scrutiny of the detailed project report and finalise proposals for an investment decision to be taken by the government. Shipping and Transport minister, Mr Chand Ram told newsmen that the decision on site would be taken by the cabinet.

Bank Loans for Small Units

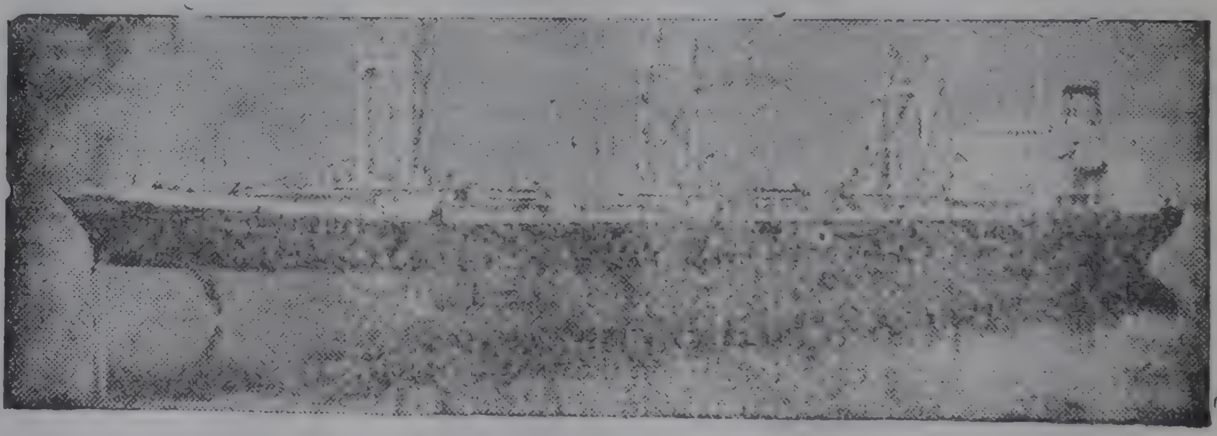
The number of small units assisted by the scheduled commercial banks has reached 513,000 as at the end of June, 1978 with balance outstanding at Rs 1827.8 crores. A study prepared by the planning division of the industial finance department of the Reserve Bank, shows that the share of small-scale industries in the total outstanding bank credit (excluding food procurement advances) has touched a level of 14.1 per cent.

The public sector banks continued to account for about 90 per cent of the total outstanding bank credit to small-scale industries. There was a significant spurt in the credit limits including term loans and advances granted to craftsmen and other qualified entrepreneurs. The credit limits touched a level of Rs 2,404 crores against Rs 2,081 crores in June 1977. The net increase in the level of outstanding credit during the year was Rs 365 crores (25 per cent). The credit utilisation ratio has gone up from 70.3 per cent in June, 1977 to 76 per cent in June, 1978. The average amount of credit limit has come down to Rs 47,000 indicating that there has been a sustained effort towards financing small units.

Maharashtra accounted for nearly one-fifth (Rs 361.2 crores or 19.8 per cent) of the total outstanding credit to small industries. Other major states were: Tamil Nadu (Rs 194.5 crores or 10.7 per cent), Gujarat (Rs 156.6 crores or 8.6 per cent) and West Bengal (Rs 156.0 crores or 8.5 per cent). These four states claimed 47.6 per cent of the total outstanding credit to small Industries. The largest number of small units financed was in Tamil Nadu—79,493; followed by Uttar Pradesh—56,689; Karnataka—45,420 and Maharashtra—44,709.

L&T Wins Award at Hanover Fair

Larsen & Toubro Limited (L&T) has won an international award for the design of its fuse-switch unit FB 250 at the 1979 Hanover Fair. The award is given by "Die Gute Industrieform", an organ of Hanover Fair in which L&T participated this year. For the last thirty years, Hanover Fair has been an important test market for new products and technologies. Because of the increasing importance of design of new products, the "Good Industrial Design" award were instituted at the Hanover Fair in 1953 and since then have grown in popularity and importance. This is the first time that a "Good Industrial Design" award has been given to an industrial product from India. The award entitles



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Garments Exoprts

Exports of readymade garments from this country are expected to cross Rs 400 crore during the current year, Mr N.F. Mongrelia, chairman of the Apparel Export Promotion Council (APEC), sponsored by the Commeree ministry, stated recently. Indian readymade garments had a very good market abroad, particularly in Latin American and West European countries. From a mere Rs 6 crores about eight years ago the exports had increased to Rs 340 crores last year, he added. Though the Commerce ministry had set an export target of Rs 400 crores, the actual export was expected to be much more during the current year.

Small Savings

Commanding a total deposits amounting to over Rs 5,000 crores, the small savings movement now mobilises one-fourth of what the country's commercial banking system does. This is brought out in the report of an expert group, which was submitted to the government recently. Prof G. Rangarajan of the Indian Institute of Management, Ahmedabad is the chairman of the expert study group appointed last year. The report, which is now under consideration of the government, says both the net collections and cumulative deposits under small savings scheme grew faster during the period 1969-70 to 1977-78 than in the corresponding period before 1969.

It observed that although public sector banks were now establishing their outposts in remote areas, the share of rural areas in the number of accounts as well as outstanding deposits was higher for small savings than for commercial banks. According to the group the past growth of small savings indicates that it can hold their own against other available forms of financial investment.

Trade with Latin America

Cooperation between India and Latin American countries is to receive a boost following agreement on removing two major constraints—lack of information and absence of contracts—which have so far impeded efforts in this regard. The three-day meeting between India and the Economic Commission for Latin America (ECLA) which ended recently in New Delhi came to the conclusion that it was imperative to bridge the information gap and promote exchange of business and official delegations in order to develop economic and technical ties as well as share the experience in the fields of agriculture, energy, technology and trade.

Transportation bottlenecks which have hindered increase in the volume of foreign trade about which all delegates expressed their serious concern are to be removed on a priority basis. In this context, Latin American countries appreciated the Indian initiative in introducing a direct shipping service. The offer by the ambassador of Portugal during the course of the meeting to provide transhipment facilities at Lisbon was welcomed.

The major areas on which agreement was reached included promotion of trade exchanges, joint ventures, participation in development plans of other countries and joint participation in third countries, exchange of research and development work of technologies, either adapted or developed in developing countries besides undertaking joint research and development work. It was also agreed that after studies by the secretariats of India and Latin American countries on these and other issues were completed, another such meeting will be organised in Latin America within a year.

The meeting also recommended establishment of link and exchange between chambers of commerce and industry. It was suggested that possibilities of setting up new joint chambers should be explored. It was considered necessary to promote exchanges of visits and delegations in areas of trade, industry, science and technology, apart from holding seminars and meetings, exchange of views between financial institutious engaged in financing, industrialisation and development programmes as also promoting links between universities and technical institutes.

Workshop on Maritime Workers

Trade union leaders of seafarers and dockworkers from India, Pakistan, Bangladesh and Sri Lanka are meeting in Bombay from June 11 to 20 to discuss the methods and techniques of workers' education amongst the maritime workers. Opened on Monday, June 11, the two weeks' meeting—ILO/Norway Sub-regional Workshop on Methods and Techniques of Workers' Education Amongst Maritime Workers—has been organised by the International Labour Organisation. The main aim of the workshop is to identify the needs of the target groups and to evolve a set of methods and techniques suited to the conditions in the participating countries. The workshop is a part of the ILO project, Maritime workers' Education and Training Programme, funds for which have been made available by the government of Norway.

LIC Assistance for Andhra

The Life Insurance Corporation of India had sanctioned a special loan of Rs 1.50 crores to the government of Andhra Pradesh for building, repairing and reconstructing houses in the state destroyed or damaged by the recent cyclone. This is in addition to various concessions which have already been offered to policyholders and claimants in the cyclone-affected areas.

Rural Electrification in Egypt

The Energy minister, Mr P. Ramachandran, left recently for Egypt. He will have talks with the Egyptian government on matters ralating to increased cooperation between the two countries specially in the rural electrification programme of that country. The visit is in response to an invitation from the deputy prime minister and minister for Electric, Power and Energy, Arab Republic of Egypt, who visited India last year as the head of his country's delegation, at the invitation of the Energy minister, Mr P. Ramachandran. The protocol of cooperation was signed by the two leaders which was followed by further meetings at official level between the two countries.

India has accorded high

priority to rural electrification and the expertise achieved by India in this field will be of benefit to other developing countries. During the visit of Mr P. Ramachandran, a site for rural electrification programme of Egypt will be reviewed which will be developed jointly by Indo-Egyptian efforts. The question of supply of equipment from India and the progressive development of indigenous manufacture in Egypt will also be discussed. The discussions will also include the deputation of Indian engineers to Egypt and training of Egyptian engineers in India. Egypt has indicated that they would require three Indian experts in the field of solar energy, designing and construction of rural electrification equipment and bio-gas research and development. India has already agreed to depute these experts.

Indo-Burma Cooperation

India has set up four pilot plants in Burma based on know-how developed in Indian laboratories. The plants have been set up under the Indian technical and economic cooperation programme for the production of mint oil from menthol, electrolytic manganese dioxide, bentonite and sodium alginate. According to the National Research Development Corporation of India, which is the executing agency, under the first phase of the three-phased programme, a model distillation column has also been established at the Institute of Technology in Rangoon besides, a central workshop has been set up to impart training to the Burmese scientists. All these projects have been completed at a cost of Rs 60 lakhs. Work on the second phase of the programme comprising seven pilot plants has already started in Burma. These projects will produce calcium carbide, glue and gelatin, straw - board, hard - board, electro-chemical metallurgy and orange juice. This phase is to be completed within a year. In all, 21 projects are being set up in Burma under the programme.

World Foundry Fair

This country participated for the first time in the international foundry fair which opened in Dusseldorf in West Germany on June 9. About 470 firms from 30 countries are participating as exhibitors in the week-long fair according to Dr G. Krueger, secretary of the Indo-German Chamber of Commerce. The fair, titled "Gifa 79", is world's best known fair for the foundry industry and is held once in five years. It offers every type of equipment and technological innovations concerned with foundry industry. The congress "metalcasting" also takes place for the first time during the fair. Speakers from 12 countries are presenting 35 technical papers and reports on their experience, problem solutions and new development. Thereafter the Metex 79, an international exhibition and congress for metallurgical technology and equipment is being held for the first time from June 16 to June 22. Three hundred fifteen firms from 22 countries are taking part with their latest metallurical equipment and technical demonstrations. Another fair, the third international exhibition and congress for industrial furnaces and thermic production processes would cover the full duration of Gifa and Metex, from June 9 to June 22. This fair attracts businessmen and experts from the foundry, metallurgical and engineering industry. There are 156 exhibitors from 11 countries.

IMF Gold Sales

The International Monetary Fund's gold sales programme will conclude by May 1980. According to an IMF bulletin, the total amount which accrued as profits from all the auctions conducted by the Fund till the end of May was $2.52 billion. The Fund has decided to cut down its monthly gold auction quota from 470,000 ounces (14.6 tonnes) in the last 12 auction to 444,000 ounces (13.8 tonnes) for the last year of the sales programme, beginning June 1979. This is because it has already sold 19.7 million ounces of the 25 million ounces it had set apart for the four year gold sales programme since 1976.

Assistance for Uganda

This country has offered Uganda soft-term credits totalling Rs 7.5 crores to help the war-ravaged country in its reconstruction efforts. Minister of state for External Affairs, Mr Samarendra Kundu made the offer at a joint meeting with Uganda's minister incharge of Economic ministry. Of the total, Rs 2.5 crores is government-to-government credit to meet the charges of shipments of 250 wagons and 20 railway coaches from India to Uganda. The second credit of Rs 5 crores is commercial credit to be provided by Industrial Development Bank of India enabling Uganda to make purchases in India.

Mr Kundu formally presented to the Ugandan government a gift of 1.1 tonnes of medicines from India. Mr Kundu added that India would be ready to transfer its technology to Uganda in various spheres.

Iran Takes Over Banks

All Iranian banks have been nationalised as from June 8, 1979, premier, Medhi Bazargan announced over the 'Voice of the Revolution' radio. The measure was decided on by the council of the revolution, b.

Names in the News

Mr C. K. Hazari joint managing director of the Escorts Limited has been elected the new chairman of the Punjab, Haryana & Delhi Chamber of Commerce and Industry (PHDCCI) for 1979-80. Mr Hazari who is the regional vice-president of North Pacific Region of the Institute of Internal Auditors, Florida, USA, was awarded a fellowship by the All India Management Association, New Delhi for participating in a programme on corporate planning at the Centre d'etudes Industrielles, Geneva, Switzerland in 1976.

Dr. B. L. Banerjee, deputy director of the Indian Jute Industries Research Association, has been asked to officiate as director of IJIRA following the retirement of Dr T. Radhakrishnan recently. A scientist of repute, Dr Banerjee was a member of the Indian jute delegation which visited Japan in 1978.

COMPANY AFFAIRS

Bihar Alloy Makes Good

THE BOARD of directors of Bihar Alloy Steels Limited, in its report to the shareholders on the working of the company during the year ended December 31, 1978, truly states that the year under review marked a water-shed in the history of this important industrial enterprise. The plant achieved for the first time its licensed capacity in terms of finished alloy and special steels, enabling the company to show for the first time a profit after covering depreciation. The profit before depreciation has risen sharply from Rs 5.7 lakhs to Rs 4.74 crores, pushing up profit after depreciation from *minus* Rs 2.07 crores in the previous year to *plus* Rs 2.57 crores in the year ended December 31, 1978.

The board attributes this welcome swing in the physical and financial performance of the company to the efforts that had been put in during the last few years in building up a good management team, streamlining production processes and establishing the quality of products with a large number of sophisticated consumers. The board believes that, thanks to the strong and stable foundation thus laid for the future of the company, its plant is now fully geared to meeting the expounding requirements of manufacturers of automobile and heavy transport vehicles, defence equipment and consumer durables, who are all operating in growth areas.

The production of alloy, tool and special steel ingots/continuous cast blooms aggregated to 49,351 tonnes against 31,580 tonnes in 1977. The output of finished alloy, tool and special steels was 39,642 tonnes against 24,473 tonnes, while sales were 37,080 tonnes as compared with 23,876 tonnes in the previous year. The board underlines the fact that this improved higher level of operations was achieved despite shortages of power, scrap, magnesite refractories and graphite electrodes; financial stringency was also a problem.

Reduced Deficit

The profit for the year has been adjusted against the carry forward losses in the earlier years, reducing the accumulated deficit to Rs 6.94 crores. It has not been possible to provide for arrears of development rebate and investment allowance aggregating to Rs 5.09 crores and investment allowance reserve for the year under review amounting to Rs 4.40 lakhs. These requirements will be met in the coming years as and when profits permit. The company continued to enjoy the confidence of the financial institutions and others who have provided term financial assistance to the company and have demonstrated during the teething trouble of this enterprise their faith in its soundness and prospects by rescheduling payments of instalments and deferring interest payments. During the year under review, various formalities with regard to term loans aggregating to Rs 4 crores from financial institutions/banks were completed and a sum of one crore rupees, out of the balance amount of Rs 1.15 crores from this additional term loans, was disbursed. The balance of Rs 15 lakhs has been disbursed during the current year.

National Rayon

The shareholders of National Rayon Corporation, whose names stood on the register of members of the company as on June 26, 1974 and had received the earlier portion of the dividend (Rs11.20 a share out of Rs 30) for the financial year 1973, will now be paid the balance of dividend (Rs 18.80 a share) which had to be held back as a sequel to the Companies (Temporary Restrictions on Dividends) Act, 1974. This has become possible following the recent circular issued by department of Company Affairs, in the ministry of Law, Justice and Company Affairs, which, according to the company's legal advisors, enables the payment of 'excess' dividends withheld so far.

Best and Crompton

Best and Crompton plans to embark upon an expansion and diversification programme. The company proposes to invest Rs 2 crores during 1979-80 alone for replacement of machinery and equipment for expansion. It has applied for term loans from financial institutions for financing the modernisation of its foundry, dynamo and starter unit and broadbasing the production range of hydraulic pumps. The company has undertaken a joint venture in Nigeria—Best and Crompton Engineering (Nigeria) Ltd—in which it holds 40 per cent of the share capital. The Indo-Nigerian venture has received large fresh contracts and it is expected to show a modest profit in 1979.

Calico Mills

The Ahmedabad Manufacturing and Calico Printing Co, popularly known as Calico Mill, has turned out substantially better results for the year ended March, 1979. The turnover has risen by about 9.5 per cent from Rs 116.23 crores in 1977-78 to Rs 127.31 crores and the gross profit has increased by about 87 per cent from Rs 4.08 crores to Rs 7.63 crores. The directors have proposed to maintain an equity dividend of Rs 15 per share absorbing a sum of Rs 1.10 crores, and a significant part of it is likely to be exempted from tax.

Improved Performance

The brief preliminary statement on the company's working states that all the divisions of the company, namely textiles, chemicals, plastics and synthetic fibres showed an improved performance. The capital expenditure incurred during the year amounted to Rs. 2.57 crores and exports of the company and its subsidiaries to Rs 7.67 crores. The programme of modernisation and renovation of the textiles division is progressing apace, the loans for the purpose having already been sanctioned. In the chemicals and plastics division, the polyvinyl pyrolidone plant has been commissioned and the trichloroethylene plant expansion is under way. The plans to increase the production of high tenacity polyester fibre and to cater to the requirements of tops by the woollen industry are expected to be completed by the end of the year. The details in respect of collaboration and other formalities for doubling the capacity for polyester fibre are being worked out.

Kollepu Papers

A new Rs 4.05 crore paper project is being set up at Bommuluru in Krishna district of Andhra Pradesh. It is being set up by Kollepu Papers, which has been promoted jointly by Mr M. Seshavataram and Andhra Pradeah Industrial Development Corporation. The company holds an industrial licence for manufacturing 10,000 tonnes per annum of writing and printing paper, manifold, kraft wrapping and speciality papers agricultural residues such as rice straw, rags and waste paper. The installed capacity of the plant is 8,200 tonnes per annum. The project cost of Rs 4. 05 crores will be met by share capital (Rs 1.23 crores), term loans from the financial institutions (Rs 265.60 lakhs), and unsecured loans to be converted into equity shares (Rs 16.40 lakhs). The company proposes to issue shortly 610,000 equity shares of Rs 10 each at par. The company does not anticipate any difficulty in getting the required raw materials or sell its finished products.

Shri Ambica Mills

Mr Jaykrishna Harivallabhadas, chairman, Shri Ambica Mills, told the shareholders recently that the sales of the company for the first five months of the current year (January to May, 1979) had amounted to Rs 24.17 crores against Rs 21.44 crores during the corresponding period of last year. The total sales during the current year are expected to be higher around Rs 63 crores against Rs 55 crores last year. The chairman assured the shareholders that despite several constraints, the management was taking all possible steps to maximise production and sales. He pointed out that the cost of production had gone up by eight to ten per cent in the first four months of the current year. The company had applied for a soft loan of Rs 8 crores for the renovation of its textile units. The management preferred the takeover of a sick unit to setting up of a new project.

Indian Aluminium Cables

The Indian Aluminium Cables has suffered a slight setback in its working for the year ended March 1979. Though sales and other income have increased to Rs 748.40 lakhs from Rs 701.70 lakhs, the gross profit has come down to Rs 8.76 lakhs from Rs 10.96 lakhs in the previous year. Equity dividend has been skipped again. After providing Rs 7.76 lakhs (Rs 10.02 lakhs) for depreciation, Rs 11,000 (nil) for investment allowance reserve and Rs 5,000 (nil) for taxation, the net profit works out at Rs 83,751 (Rs 93,998) which has been carried forward.

Production of aluminium conductors was adversely affected because of lack of supplies from Bharat Aluminium. The company concentrated its efforts to make local supplies instead of exports because of the increased demand from state electricity boards. It has secured a Rs 176 lakh order for the supply of conductors for 400 KVA Singrauli super-thermal power transmission line. The company expects to fare better in the current year following easier availability of aluminium.

Cyrogenics India

Sales of Cyrogenics India have more than doubled to Rs 26.19 laks in 1978 from Rs 11.93 lakhs in 1977. After providing Rs 94,115 for depreciation there is a loss of Rs 2.97 lakhs for the year. Constraints on supply of calcium carbide and delay in its imports due to shipping problems and congestion at Bombay port affected the production. Since the company had to fulfil its commitments of supply of acetylene gas, it had to purchase calcium carbide in the open market at inflated prices which resulted in heavy losses. With the receipt of the imported raw material, the company is selling at present about 1,500 dissolved acetylene cylinders per month and hopes to achieve better results in the current year. Steps are being taken to procure 500 new cylinders. A loan from financial institutions is being obtained for the purpose.

Maheshwari Mills

The directors of Maheshwari Mills, Ahmedabad, have proposed to issue bonus shares in the ratio of one new share for every share held by capitalising a sum of Rs 6 lakhs from the general reserve. They have also proposed a total equity dividend of 50 per cent (including 30 per cent bonus dividend) on 48,000 equity shares of Rs 12.50 each for the year ended March, 1979.

According to the preliminary statement gross sales have risen from Rs 8.92 crores in 1977-78 to Rs 10.31 crores in 1978-79 and the gross profit from Rs 74.18 lakhs to Rs 80.22 lakhs. After providing Rs 16.81 lakhs (Rs 22.85 lakhs) for depreciation, Rs 9.50 lakhs (Rs 9.75 lakhs) for investment allowance and Rs 10.25 lakhs (Rs 5 lakhs) for taxation, the net profit works out at Rs 43.66 lakhs (Rs 36.58 lakhs). After adjustments, a sum of Rs 16.14 lakhs (Rs 10.52 lakhs) has been transferred to general reserve. Equity and preference dividend will absorb Rs 3.43 lakh (Rs 11.54 lakhs).

Ravindra Steel

Ravindra Steel Limited has recorded a profit of Rs 12.21 lakh for the year ended September, 1978, against a loss of Rs 7.80 lakh in the previous year, after providing Rs 6.24 lakh (Rs 3.90 lakh) for depreciation, Rs 9.87 lakh for arrears of depreciation and Rs 20,000 (Rs 8,000 for investment allowance reserve). After adjusting with the loss brought forward from the previous year there is a debit balance of Rs 74.49 lakh which is carried forward. Sales rose from Rs 1.72 crore to Rs 2.79 crore (after adjusting sales tax, including Rs 61,493 for earlier years).

Bhilai Wires

Bhilai Wires has shown encouraging record, with production during July, 1978 to March, 1979 reaching 6,900 tonnes against 6,084 tonnes in the corresponding period of the preceding year. Sales reached 7,000 tonnes against 5,553 tonnes and the turnover Rs 2.79 crores against Rs 1.98 crores. According to Mr H.P. Khetwar, managing director, the improved working has been possible due to higher productivity, sales drive and quality control. There is also an overall increase in the production of galvanised wires, at 6,100 tonnes during the period against 5,480 tonnes. The working has resulted in a gross profit of Rs 10.50 lakhs.

Universal Cans

Universal Cans and Containers has shown increased sales during 1978 at Rs 112.51 lakhs against Rs 80.99 lakhs in 1977. The gross profit increased from Rs 15.55 lakhs to Rs 23.62 lakhs. After provisions and adjustments, the disposal surplus amounts to Rs 16.99 lakhs (Rs 9.28 lahks). Equity dividend has been stepped up from 12 per cent to 16 per cent, which will absorb Rs 3.60 lakhs (Rs 2.70 lakhs). General reserve gets Rs 13.39 lakhs (Rs 7.58 lakhs), There has been an all-round improvement in production, sales and realisations. The order book position stands satisfactory. The plant is estimated to run at its full capacity in 1979. The company has plans to undertake a substantial expansion programme. Efforts are being made to start commercial production before December 1979. The capital outlay of Rs 1.20 crores will be financed through internal resources.

Siporex India

Siporex India has earned a lower gross profit of Rs 76.56 lakhs for 1978 on sales of 2.22 crores against Rs 87.53 lakhs on sales of Rs 3.55 crores in the previous year. After providing Rs 13.88 lakhs (Rs 20.35 lakhs) for depreciation, Rs 2.71 lakhs (Rs 76,500) for investment allowance reserve, Rs 23.05 lakhs (nil) for development rebate reserve and after making several other adjustments there is a deficit of Rs 4.70 lakhs against a profit of Rs 37,198 in 1977. Dividend has been passed over.

Alembic Glass

Alembic Gass Industries has recorded improvement in its working results for 1978. Gross profit has increased from Rs 35.74 lakhs to Rs 44.87 lakhs. Sales have crossed Rs 10 crores level against Rs 9.54 crores during the previous year. Dividend has been maintained at one per cent. The directors pointed out that due to the upward revision of gas prices since April 1978 fromRs 382.15 to Rs 504 per 1,000 cu.m.—a rise of about 32 per cent—the company incurred was an additional cost of Rs 22 lakhs during the year. At Whitefield factory there was a rise of 70 per cent in rates of electricity resulting in a rise of Rs 20 lakhs in cost.

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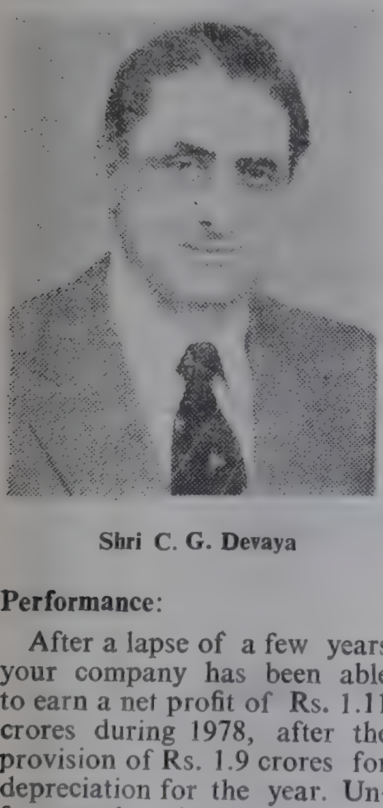
Registered Office: Mettur Dam - 636 402

Highlights of the speech of
Shri C.G. DEVAYA, MANAGING DIRECTOR,
delivered at the 19th Annual General Meeting held at the Inauguration Hall, MALCO Campus, Mettur Dam on Saturday, the 9th June 1979.

This is the first meeting at Mettur with the shifting of the Registered/Head Offices from Coimbatore. We moved in here to operate closely with the manufacturing department to solve the many problems we have. Old scores had to be forgotten and new friendships formed. A new philosophy of togetherness had to be imbibed, This has worked out well for your company.



Shri C. G. Devaya

Performance:

After a lapse of a few years your company has been able to earn a net profit of Rs. 1.11 crores during 1978, after the provision of Rs. 1.9 crores for depreciation for the year. Unfortunately, this is however inadequate for the declaration of dividend as previous year's arrears of depreciation have to be cleared.

The production achieved at 23117 tonnes of aluminium with a total turn over of Rs. 20.99 crores was the highest ever reached comparing against the previous best of 18968 tonnes with a total turn over of Rs. 15.44 crores. The Tamil Nadu Government was good enough to provide a steady demand load of 67MVAs throughout the year. If 7 more MVAs would have been provided we could have achieved 24000 tonnes. Low controlled prices and likely power cuts continue to be our main problems.

Controlled prices:

The low controlled prices are hurting us very badly. A new pricing policy was announced by the Central Government in October, 1978. Dual pricing has been abolished. New retention and selling prices have been established. The increases given for Malco at Rs. 8820/- per tonne (basic) for EC ingots and Rs. 9155/- for EC rods are inadequate with the cost of production spiralling up. Even at 92% capacity utilisation during '78 there was a loss of Rs. 50 lakhs on the sale of controlled metal due to low controlled prices. This loss was made up through the sale of non-controlled metal such as CG ingots, rods, billets and alloys to achieve the profits during the year.

There has been further increase in the Tamil Nadu State in the power tariff by 4 paise per unit amounting to cost increase by about Rs. 800/- per tonne of aluminium with effect from 1.5.79. With the increase in the cost of the other inputs, low retention prices and the price control on CG ingots, we are operating at a serious loss with effect from May, 1979. There is urgent necessity for the retention prices being increased.

Due to the shortage of aluminium, 70,000 tonnes of metal will be imported by the Central Government during 1979. The ruling FOB International price of aluminium EC ingots is about Rs. 13,000 per tonne (basic). There is world wide shortage even at this price. Where then is the justice of Malco obtaining only Rs. 8820/- per tonne of EC Ingots? If, for instance, the company were to be permitted to export part of the production, high profitability would be immediately ensured. We have not been asking permission to export. This is only an illustration for justifying higher retention prices. We need adequate profits. Besides paying dividends to shareholders, the plant is to be modernised and expanded so that the full potential of Malco can be exploited. These aspects have been seriously neglected in the past.

We have represented all the above facets to the Ministry of Mines & Metals and the Bureau of Industrial Costs & Prices. It is our impression that they are fully sympathetic to Malco's needs. We are looking forward to quick justice so that the wheels of a vital industry may not grind to a halt. We have suggested sanction of an interim increase of atleast Rs. 1900/- per tonne This is now needed as 'Oxygen for a patient in distress'.

Electricity:

During the end of 1978 a barter deal was made with A.P. Government with the blessings of the Tamil Nadu Government regarding the supply of power during the year 1979 and 1980. Through a trilateral agreement, 6000 tonnes of EC metal is being supplied annualy to units nominated by the Andhra Pradesh Government in return for 120 million units of power to be supplied to Malco through Tamil Nadu Government during the lean summer months. Through this agreement it has been possible to obtain exemption from the 15% power cut recently enforced by the Tamil Nadu Government with effect from 27th March, 1979. Power cut is the deadliest of our hazards and this strategy has done us well. I am sure you would wish me to convey your special thanks to the Governments of Tamil Nadu and Andhra Pradesh for enabling this arrangement to be finalised and in particular to the Minister for Electricity of Tamil Nadu Government and the Secretary, PWD and Chairman of TNEB. This agreement would enable the Andhra Pradesh Government to carry out their electrification projects with greater speed. For Malco, the loss would have been about Rs. 50 lakhs due to powercut even upto June '79. But this has been averted through this barter agreement.

The matter regarding the Tamil Nadu Government's claim for Rs. 9.5 crores towards excess consumption of electricity still rests with the High Court. We look forward to a just decision. A grave situation arising out of misunderstanding needs to be put right through wisdom on all sides.

The scope for the expansion of our primary metal capacity from 25000 to 31000 tonnes is under discussion, with the Andhra Pradesh Government having informally agreed in principle to consider supply of this power on a barter basis. We have the electrical conversion equipment and the investment would be only about Rs. 4.5 crores for increasing the capacity. It would be necessary to obtain the approvals of the Tamil Nadu Government and the Financial Institutions for going through these expension projects, which would move Malco towards being an economic unit.

Diversification & Expansion:

We have taken up the following projects in the first stage as part of your company's strategy to improve our viability.

- Aluminium extrusions (2000 tonnes per annum)
- Continuous cast sheets (7000 tonnes per annum)
- Production of alumina in the higer rate (150 tonnes per day)

The necessary loan assistance of Rs. 290 lakhs has been obtained from the Financial Institutions. The extrusion press has been shipped from U.S.A. Texas during the end of May. We should be in production of extrusions by end 1979.

The continuous casting machine and allied equipments to be obtained from France would be commissioned during early 1980. It is the intention to integrate the continuous casting project with yet another new project for the production of cold rolled sheets in view of the profitability. For this supplementary project a further loan assistance of about Rs. 5.5 crores would be required.

The increased production of alumina will be achieved in early 1980.

Research & Development:

It is planned to extract about 300 kilograms of gallium annually from the sodium aluminate liquor. This project is in collaboration with NRDC and the pilot plant has been successfully established at the CECRI, Karikudi.

Cost reduction:

This has been achieved through reduction in the cost of raw materials and engineering stores through broad based competitive purchases. Further cost reduction is planned through fuel oil substitution by producer gas for lowering the cost of steam and installation of mini computers for automatic voltage control to lower electricity charges in the smelter.

Assistance obtained:

The Financial Institutions have specially expedited the process of making the finances available. This has speeded up the progress of projects. Our Bankers, Indian Bank and State Bank stepped in to assist us on each occasion when there was need. The Central Government and Tamil Nadu Government, on their part have assisted Malco in its various programmess for improving our operational efficiency. My colleagues in your Board have rendered valuable guidance based on the rich experience that the individual members of the Board possess.

Our collaborators M/s. Alumetal, S.p.A., Milano have continued to render excellent technical support to ensure the growth and viability of Malco.

Your Company greatly appreciates the very valuable assistance obtained from the above agencies.

Our customers:

The earlier policy has been to supply metal on the basis of the past off-take by our customers. With the barter agreement with Andhra Pradesh Government the metal had to be supplied on priority to the units nominated by the A.P. Government, as also the units nominated by the Tamil Nadu Government,who supply power at subsidised rates. I could only apologise to our good customers and tried to explain that powercut had to be somehow averted. This was the only alternative to Malco for sheer survival through optimum utilisation of the capacity. The Central Government was also not happy at first as this conflicted with their guidlines for the distribution of the metal. The realisation that the barter agreement with the Andhra Pradesh Government has resulted in the normal production of metal by Malco during the power cut in Tamil Nadu during summer of 1979, would have enabled the position being better appreciated.

Employees:

The decision to shift the Registered and Head Offices of the Company in the interests of the efficiency has inconvenienced 40 families who had to move from Coimbatore to Mettur. The staff have cooperated greatly in the interests of the company and this deserves your special appreciation.

Our employees, workers and the supervisory staff, at all levels, have played their role with particular emphasis on higher efficiency and improved productivity. The labour relations have been good without any impediments to production. There have been, of course, the dialogues and discussions, all well within the accepted norms of collective bargaining. During 1979 a better deal has been given to the staff and workers through recent settlements. This has been possible, thanks to the good performance of the company. I would like to specially commend to you all the employees for their excellent performance.

Managing Director:

As you would have seen in the press there has been considerable propaganda and certain unusual events in the High Court and elsewhere. The Company Law Board's sanction for my continued appointment beyond 20/3/79 had been questioned. The temporary injunction order by the High Court, issued on a writ petition from a shareholder, restraining me from acting as Managing Director was since vacated. In the circumstances in which I was appointed, perhaps, there is bound to be power politics and certain efforts to displace me. This has been accepted by me as part of the game. It makes an interesting study. On my part, I have concentrated on doing my best for the well being of your company, with the support of your Board and the employees.

1979:

The trend for 1979 which was satisfactory until April has been adversely affected due to the higher power tariff from May, 1979 as also the increased cost of inputs. This has to be solved only through the higher retention prices asked for. Several basic problems have been solved. Production is normal. Diversification is now a reality. The key for the viability of Malco, which pro duces the wonder metal of th modern age, is now very muc in the hands of the Centr Government. Given a fair tre ment and with the spade w completed it should not be n far off for Malco to comme declaring dividends. I am av of the impatience of the s holders which is underst able.

Note: *This does not purp be a record of th ceedings of the General Meeting.*

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Chairman's Speech

Alembic Glass Industries, Limited

Speech of **Shri R.B. Amin, Chairman**, Board of Directors, at the **34th Annual General Meeting** of the Company held at Baroda on Tuesday, 12th June, 1979.

Ladies and Gentlemen

I welcome you all to the 34th Annual General Meeting of the Company. The Accounts for the year ending 31st December, 1978 and the Directors' Report have been forwarded to you earlier and with your permission, I shall take them as read.

Your Company recorded another year of increased output and sales, in spite of a number of adverse and unfavourable factors affecting its performance. In our plant at Baroda, one unit feeding two lines of production was out of commission for some time because the furnace was being converted to a bigger unit which could eventually accommodate more lines of produc- ion. Two other units were ılso closed for short periods n account of repairs, parti- ularly affecting the production f pressed ware. However, the verall output was increased om 42.9 thousand tonnes in 77 to 45.4 thousand tonnes 1978, on account of higher duction at Bangalore.

Sales revenue crossed the 10 crore mark during 1978. Rs 10.5 crore for the year as Rs 1.17 crore i.e. about er cent ahead of the sales re for 1977. The intensity mpetition already prevail- n the market further inten- l because the overall capa- now established in glass try is well ahead of the demand. Prices are there- onstantly being depressed nargins are very narrow nremunerative. Our ope- al earnings were eroded rbitant increases in the f energy inputs ; for a intensive industry like is presented a massive and handicap. In the price of natural raised by the Oil and Natural Gas Commission, unilaterally and arbitrarily, by 32 per cent, at one shot, from Rs. 382.15 to Rs. 504.00 per 1000 cubic metres. Thus, for more or less the same throughput as last year, your Company had to pay Rs. 22 lakhs more. Power rates went up for our Whitefield Unit as well ; the new tariff means an increase of 70 per cent and the power bill in the year under review is higher by about Rs. 20 lakhs over that in 1977. You will agree that this kind of one-sided, abrupt and unequal business behaviour shown by government monopolies is most unsatisfactory. The existing government monopolies for coal and oil should be broken up and there should be several agencies to produce and supply. Without decentralisation through de-nationalisation and devolution for all government monopolies in our economy such as in railways, airways, banks, insurance, steel, coal and oil etc., the economic picture for the future is very dark indeed. Irregular and insufficient supplies of soda ash added to the problems of the industry. Costs of various papers and boards for packaging increased substantially during the year. Other costs and expenses also went up and although considerable economy was enforced and achieved, the profitability of your Company was adversely affected by the simulaneous impact of these various factors.

Another basic factor which chronically, continuously and relentlessly handicaps the development of glass industry and saps its potential for growth and contribution to the improved standard of living of our people is Excise Duty. Because of the ease with which it can be levied and collected, it is being imposed and augmented in a manner in which it has become a major constraint on increased production of many industries ; equally and simultaneously, it has put so many goods and services beyond the reach of our people because the tax element is so heavily loaded in the prices of most articles meant for day-to-day consumption.

Excise rate of 35% on glassware is excessive and counter-productive in as much as the glass container is an input for other user industries such as, food and beverage processing industries, dairies and pharmaceuticals which in turn, provide for daily necessities for the people. Alternatively, these wares and containers are bought by households. By no stretch of imagination can articles like glass tumblers ond bowls etc., be regarded as luxuries. The final price for the consumer is heavily loaded by the excise elements of all inputs upto the manufacturing stage of glass containers, and the subsequent excise element on the glass container itself, along with other inputs which go in to make up the final consumer pack as in beverages, pharmaceuticals, processed food articles and so on. As it is, raw materials such as soda ash and oil or electricity going into the basic manufacture of glass bear sizeable excise duty or cess. At the other end of the chain, where all glass containers necessarily require to be packaged for onward carriage, packing materials are already subject to prior excise levy under different heads. As a result, there is a progressive build-up of costs marking up the price to the consumer. The products of the glass industry and the user industries connected with it, are thus going beyond the reach of most consumers. The inherent strength and contributive capacities of both the glass industry and the user industries in respect of a better life for our people, are made to suffer and languish. For the consumer, any increase in excise duty is also inevitably accompanied by the additional loading of other taxes such as octroi, sales tax etc., so that the excise rate of 35% on glass ware would ultimately end up as about 50 per cent. With this sort of excise burden at every stage, how do we expect to raise the standards of consumption of the general public and to satisfy their modest aspirations for a little more sparkle in their lives ? This approach to indirect taxation involving very high excise rates at each step of manufacture can only damage the fabric and enervate the performance of the national economy. We would urge Government to give serious consideration to these dangers inherent to our national economy in the cascading effect of excise on excise and so on.

The best solution would be a tax on added value. If we have to persist with multi-point excise at each stage as we are having now it has to be very low rate ; in no case should it exceed ten per cent. If this approach is adopted, the entire economy will be energised ; there will be greater production, employment and well being and there will be an automatic check on inflation. At the same time, the overall revenue accruing to government from excise will be more and more progressive.

Before I conclude, I place on record my appreciation of the hard work and efforts made, during the year under review, by the managers as well as the staff and workers at Baroda and Bangalore. I also thank my colleagues on the Board for their counsel, assistance and cooperation.

I now commend, for your consideration, the Directors' Report and the Annual Accounts of the Company for 1978.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

The first hundred in engineering

The Association of Indian Enginnering Industry (AIEI) has completed a study on the "Top 100 Engineering Companies" which is proposed to be an annual guide to the size and performance of AIEI's leading manufacturing member companies. The study covering 1976-77 and 1977-78 shows the top 100 engineering firms, ranked by sales. It also includes some companies with both engineering and non-engineering activities. Details of the report are given below :

THE REPORT gives detailed statistics of AIEI public limited manufacturing companies, both in public and private sectors. Thus the statistics cover all important engineering enterprises in India with sales exceeding Rs 10 crores. These companies are therefore the corporate leaders of the engineering sector in this country.

The study reflects the broad trends in sales, value of production, profits, exports and also the shares of factors of production. Statistics reveal that the aggregate sales of these companies amounted to Rs 4229.75 crores in 1977-78 recording an increase of five per cent over the previous year. The value of production of these 100 companies totalled Rs 4960.82 crores in the same year as against Rs 4707.94 crores in 1976-77, again realising an advance of 5.4 per cent. As against this, total expenditure of these 100 companies increased sharply from Rs 5063.00 crores to Rs 5413.20 crores registering a percentage increase of 6.9 over the same period.

Statistics on shares of factors of production are interesting. The study indicats that raw materials, components, stores and spares consumed represent 40 per cent of the top 100 engineering companies' expenditure ; fuel and power constitute three per cent and remuneration to employees represent 14 per cent of the industry's expenditure. However, the study points out that in a power intensive industry such as aluminium, fuel costs constitute 15 per cent ; remuneration to employees represents almost 20 per cent of the expenditure of the iron and steel industry and 15 per cent of transport equipment industry. Labour costs of the engineering industry advanced by 13 per cent.

The study notes with concern that, as a result of higher growth in total expenditure, profits of the industry recorded a sharp decline of 10 per cent over the period under review. Further, the number of profit-making companies also came down from 92 in 1976-77 to 88 in 1977-78.

Analysing the exports of the top 100 companies, it may be noted that exports of exporting companies suffered a decline of four per cent over the period. Sector-wise study indicates that the decline in exports are pronounced in the aluminium industry, iron & steel industry and machinery (other than transport and electrical) industry. The decline in exports is due to both international and domestic factors. On the international front recessionary conditions and protectionist measures adopted by them as well as in the rupee value of the US dollar affected export earnings. On the national front reduction in exportable surpluses caused by domestic factors such as power, shortages, port congestion, industrial unrest and floods in UP, West Bengal and Bihar adversely affected production.

The report also lists top 100 engineering companies of the world. The study notes that the smallest company of the world list has a sales turnover of Rs 1879 crores or about three times the sales of the top public sector Indian company Bharat Heavy Electricals Limited (BHEL). And the top world engineering company 'General Motors' is almost 89 times the size of the top Indian engineering company.

Exports as Percentage of Production of the Top AIEI Exporting Engineering Companies—Industry-wise

Industry	Number of exporting companies		Exports as percentage of production	
	1976-77	1977-78	1976-77	1977-78
Iron & steel	3	2	8.6	6.7
Aluminium	3	3	9.0	1.7
Other non-ferrous metals	1	1	2.1	3.4
Transport equipment	20	19	6.4	7.2
Electrical machinery, apparatus, appliances etc.	22	22	5.2	6.4
Machinery other than transport and electrical	21	22	6.0	3.8
Ferrous/non-ferrous metal products	20	18	12.5	11.0
Miscellaneous	4	4	4.1	4.4
Total	94	91	6.9	6.3

Source: Derived from the annual reports of companies.

Item	Iron & Steel		Aluminium		Other non-ferrous metals		Transport equipment	
	(3)		(3)		(1)		(21)	
	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78
Sales	37790.77	40093.08	29017.67	27387.82	2418.84	3812.10	116288.05	118659.43
Production	37898.73	38591.12	27799.50	27521.62	2650.16	4922.21	118407.67	119527.66
Exports	3241.83	2489.68	2496.24	455.44	56.61	166.58	7478.46	8256.28
Paid-up capital	10658.12	10658.12	13450.79	18171.03	4598.19	5583.69	19600.56	20904.32
Net worth	18674.23	19005.62	20896.04	31293.51	6864.51	7553.84	37886.48	41379.83
Total capital employed	33454.99	35280.78	35835.05	46367.38	12153.65	14274.41	88796.85	94414.63
Total expenditure (a to j)	39546.83	41476.82	30546.40	30655.99	3534.08	6274.08	134607.13	138220.14
a) Raw materials, components, stores and spares consumed	10472.67	10661.37	6408.78	6097.05	1703.83	3638.09	62909.99	60791.07
b) Fuel & power consumed	2694.05	2513.31	4556.74	4648.55	191.75	385.16	1662.63	1733.87
c) Salaries, wages, bonus, provident fund & welfare expenses	7195.07	8097.96	1918.88	2131.21	588.03	729.93	18195.41	20553.37
d) Managerial remuneration	9.03	8.19	6.14	6.34	0.78	1.71	46.60	43.36
e) Repairs to buildings & machinery	3283.64	3522.71	502.34	508.67	96.67	172.99	1346.91	1420.40
f) Depreciation	1526.80	2281.00	1394.32	1525.96	378.91	589.29	3892.80	4324.44
g) Other provisions	16.01	12.26	59.75	81.85	8.97	24.33	245.85	207.73
h) Interest	1473.34	1597.50	1282.15	1407.73	188.32	513.10	4876.14	5190.12
i) Other expenses	11111.73	12441.87	12750.72	12336.23	21.73	217.66	33687.76	36938.18
j) Profit before tax	1764.49	340.65	1666.58	1912.40	355.09	1.82	7743.04	7017.60
i) Provision for tax	686.00	10.00	869.44	1254.00	—	—	3307.33	3638.43
ii) Profit after tax	1078.49	330.65	797.14	685.40	355.09	1.82	4435.71	3379.17
iia) Dividends	656.28	707.72	600.05	519.18	—	—	1274.72	1282.49

Notes : 1. Figures in brackets under column headings indicate number of companies.
2. Figures in brackets against items in last column represent percentage change over the previous year.

Engineering Companies—Industry-wise

(Rs lakhs)

Electrical machinery apparatus, appliances etc. (23)		Machinery other than transport & electrical (24)		Ferrous/non-ferrous metal products (21)		Miscellaneous (4)		Total (100)	
1976-77	1977-78	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78
126827.24	138065.00	70244.19	73747.08	58849.68	62149.21	28332.58	29061.52	469769 02	492975.24 (4.9)
126500.48	140962.29	70822.74	73538.21	58776.69	62345.52	27938 26	28672.33	470794.23	496080.96 (5.4)
6516.78	8926.16	3764.77	2645.32	6949.86	6087.53	1151.84	1249.41	31656.39	30276.40 —(4.4)
22561.35	23491.30	8854.98	9249.36	7976.90	8387.47	2279.95	2612.41	89980.84	99057.70 (10.1)
39262.94	42806.50	16499.55	18172.25	16020.84	16762.92	5772.03	6330.43	161876.62	183304.90 (13.2)
78932.61	83084.31	35996.27	38029.05	31530.92	32996.76	9117.29	9478.70	325817.63	353926.02 (8.6)
132176.25	150129.22	75059.50	79258.25	61826.09	65530.63	29004.13	29775.29	506300.41	541320.42 (6.9)
57177.21	64010 74	25864.48	27590.25	30912.43	32733.66	11560.43	11862.80	207009.82	217385.03 (5.0)
1338.24	1572.32	939.43	1093.25	1987.13	2188.81	680.40	717.93	14050.37	14853.20 (5.7)
17109.80	19721.17	9507.28	10609.81	7709.70	8601.91	2536.50	2621.63	64760.67	73066.99 (12.8)
81.66	77.88	61.84	65.08	69.91	71.35	21.91	22.05	297.87	295.96 —(0.6)
740.60	882.85	594.46	631.49	967.03	1035.09	276.58	351.13	7808.23	8525.33 (9.2)
2894.17	3413.30	1330.99	1510.03	1038.59	1297.17	301.60	343.41	12758.18	15284.60 (19.8)
342.63	3103.33	58.44	29.32	113.97	132.90	3.11	8.12	848.73	3599.84 (324.1)
5542.80	4913.14	2605.71	2829.09	2131.34	2399.91	499.38	611.45	18598.64	19455.04 (4.6)
34567.98	50194.64	29522.78	30468.11	14287.17	14528.60	11454.00	12244.70	147403.87	159369.99 (8.1)
12381.16	12239.85	4574.63	4431.82	2608.82	2548.23	1670.22	992.07	32764.03	29484.44 —(10.0)
6682.81	6629.52	2377.90	2066.47	1253.60	1220.18	927.62	536.77	16104.70	15355.37 —(4.7)
5698.35	5610.33	2196.73	2365.35	1355.22	1328.05	742.60	455.30	16659.33	14140.07 —(15.1)
1917.35	2002.27	932.09	996.39	568.10	678.55	422.03	274.10	6370.62	6460.70 (1.4)

Source : Derived from annual reports of companies.

Shares of Factors of Production in the Top 100 AIEI

Sl. no.	Item	Iron & Steel		Aluminium		Other non-ferrous metals		Transport equipment	
		(3)		(3)		(1)		(21)	
		1976-77	1977-78	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78
a)	Raw materials, components, stores & spares consumed	26.5	25.7	21.0	19.8	48.2	58.0	46.8	43.9
b)	Fuel & power consumed	6.8	6.1	14.9	15.2	5.4	6.1	1.2	1.3
c)	Salaries, wages, bonus, provident fund and welfare expenses	18.2	19.5	6.3	7.0	16.7	11.6	13.5	14.9
d)	Managerial remuneration	0.02	0.02	0.02	0.02	0.02	0.03	0.04	0.03
e)	Repairs to building & machinery	3.3	8.5	1.6	1.7	2.7	2.8	1.0	1.0
f)	Depreciation	3.9	5.5	4.6	5.0	10.7	9.4	2.9	3.1
g)	Other provisions	0.04	0.03	0.2	0.3	0.3	0.4	0.2	0.2
h)	Interest	3.7	3.9	4.2	4.6	5.3	8.2	3.6	3.8
i)	Other expenses	28.1	30.0	41.7	40.2	0.6	3.5	25.0	26.7
j)	Profit before tax	4.5	0.8	5.5	6.2	10.1	0.03	5.8	5.1
i)	Provision for tax	1.7	0.02	2.9	4.1	—	—	2.5	2.6
ii)	Profit after tax	2.8	0.8	2.6	2.1	10.1	0.03	3.3	2.5
iia)	Dividends	1.7	1.7	2.0	1.7	—	—	0.9	0.9
	Total expenditure (a to j)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note : Figures in brackets under column headings indicate number of companies.

Selected Ratios of Profit-making Companies

Industry	Number of profit making companies		Profit before tax as % of sales		Profit after tax as % of sales		Profit before tax as % of net worth	
	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78
Iron & steel	2	2	6.1	2.6	4.0	2.6	14.0	6.3
Aluminium	2	2	8.3	10.6	4.7	4.8	18.2	13.1
Other non-ferrous metals	1	1	14.7	0.05	14.7	0.05	5.2	0.02
Transport equipment	20	19	6.9	6.9	4.0	3.7	21.3	20.4
Electrical machinery, apparatus, appliances etc.	22	21	9.9	10.0	4.6	4.6	31.9	29.6
Machinery other than transport & electrical	22	21	7.1	6.7	3.5	3.6	31.0	27.8
Ferrous/non-ferrous metal products	19	18	5.5	5.8	3.0	3.6	20.0	21.1
Miscellaneous	4	4	5.9	3.4	2.6	1.6	28.9	15.7
Total	92	88	7.6	7.1	4.0	3.7	23.6	20.3

Engineering Companies—Industry-wise

(Percentages)

* Electrical machinery, apparatus, appliances etc (23) 1976-77	1977-78	Machinery other than transport & electrical (24) 1976-77	1977-78	Ferrous/non-ferrous metal products (21) 1976-77	1977-78	Miscellaneous (4) 1976-77	1977-78	Total (100) 1976-77	1977-78
43.2	42.5	34.4	34.8	50.0	50.0	39.9	39.8	40.9	40.2
1.0	1.0	1.3	1.4	3.2	3.3	2.3	2.4	2.8	2.7
12.9	13.1	12.7	13.4	12.5	13.1	8.7	8.8	12.7	13.5
0.1	0.1	0.1	0.1	0.1	0.1	0 1	0.1	0.1	0.05
0.6	0.6	0.8	0.8	1.6	1.6	1.0	1.2	1.5	1.6
2.2	2.3	1.8	1.9	1.7	2.0	1.0	1.2	2.5	2.8
0.3	2.1	0.1	0.04	0.2	0.2	0.01	0.03	0.2	0.7
4.2	3.3	3.5	3.6	3.4	3.7	1.7	2.1	3.7	3.6
26.1	26.8	39.2	38.4	23.1	22.1	39.5	41.1	29.1	29.5
9.4	8.2	6.1	5.6	4.2	3.9	5.8	3.3	6.5	5.4
5.1	4.4	3.2	2.6	2.0	1.9	3.2	1.8	3.2	2.8
4.3	3.8	2.9	3.0	2.2	2.0	2.6	1.5	3.3	2.6
1.5	1.3	1.3	1.3	0.9	1.0	1.5	0.9	1.3	1 2
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100 0

Source: Derived from annual reports of companies.

in the Top AIEI Engineering Companies—Industry-wise

Profit after tax as % of net worth 1976-77	1977-78	Profit before tax as % of total capital employed 1976-77	1977-78	Profit after tax as % of total capital employed 1976-77	1977-78	Tax provision as % of profit before tax 1976-77	1977-78	Dividends as % of profit after tax 1976-77	1977-78	Dividends as % of paid-up capital 1976-77	1977-78
9.3	6.2	8.1	3.5	5.4	3.5	33.6	1.1	48.3	76.4	9.8	10.5
10.4	5.9	15.0	11.6	8.6	5.3	42.9	54.4	51.8	49.5	16.4	11.5
5.2	0.02	2.9	0.01	2.9	0.01	—	—	—	—	—	—
12.4	11.0	9.2	9.3	5.4	5.0	41.6	46.4	27.4	30.5	6.7	7.2
14.7	13.7	15.9	15.6	7.3	7.2	53.8	53.7	33.5	35.1	8.6	8.8
15.4	15.1	15.4	14.5	7.6	7.9	50.3	45.6	39.7	40.4	12.2	13.0
11.0	13.0	10.7	11.6	5.9	7.1	44.7	38.4	37.6	35 0	9.2	10.0
12.9	7.2	18.3	10.5	8.1	4.8	55.5	54.1	56.8	60.2	18.5	10.5
12.4	10.6	12.1	11.0	6.4	5.7	47.4	47.8	35.7	38.6	8.8	8.7

Source: Derived from the annual reports of companies.

CANARA BANK

(Wholly owned by the Government of India)

Balance Sheet as on 31st December 1978.

		1977 Rs	1978 Rs
LIABILITIES	Capital & Reserves	9,35,00,000	11,00,00 000
	Deposits	1083,51,37,892	1361,44,27,456
	Borrowings	53,33,95,723	56,13,41,456
	Other Liabilities	87,36,79,225	41,79,84,759
		1233,57,12,840	1470,37,53,671
ASSETS	Cash on hand & balance with banks	137,33,80,746	163,78,83,343
	Money at call & short notice	16,25,00,000	16,00,000
	Investments	337,51,50,652	409,83,97,411
	Loans & Advances	713,13,99,962	845,21,21,237
	Other Assets	29,32,81,480	51,37,51,680
		1233,57,12,840	1470,37,53,671
INCOME	Interest & Discount	104,87,66,475	110 44,19,453
	Comm. Exch. & Brokerage	8,59,61,313	10,23,04,589
	Other Receipts	60,95,938	40,30,239
		114,08,23,726	121,07,54,281
EXPENDITURE	Interest Paid	74,72,46,475	75,54,04,168
	Salaries & Allowances	24,87,74,673	29,10,89,168
	Other Expenses	11,67,43,716	13,21,97,008
		111,27,64,864	117,86,90,344
	NET PROFIT	2,80,58,862	3,20,63,937

HIGHLIGHTS

1. Rs. 277 crores added during the year under deposits, i.e. a growth of 25.6%. Our share in the market rose from 4.9% to 5.3%
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C.F.T.R.I. MYSORE

It's warm weather in Moscow

THE DIPLOMATIC gains of the prime minister's visit to the USSR would have been impressive even without the frills. But the Russians are good showmen—Russian circuses are a byword for skills and spectacles—and we no doubt have been learning in their company. Mr Morarji Desai's visit to Moscow was prefixed by the launching of Bhaskara I, showing that all was well with the Soviet Union's collaboration in Indian activities in space technology. In the Soviet capital, president Leonid Brezhnev started off with an imaginative offer to accommodate an Indian cosmonaut on a space flight in the 1980s. Quite naturally this grand gesture won prominent headlines in the Indian press.

This apart, the Soviet government has given proof of more active interest in helping out India in critical areas of its economic needs. Soviet participation in the Visakhapatnam steel project had been settled in principle earlier, but the signing of the protocol now is not without its own significance. The provisions of this agreement involve the Soviet Union in the establishment of yet another large, integrated steel plant in India, the third with which the USSR will be associated as a source of finance, technology and equipment. The proposed plant, with an initial capacity of 1.2 million tonnes, is to be completed in about five years, by which time the installed capacity will have been raised to 3.5 million tonnes. Again, besides undertaking to prepare a detailed report for the further expansion of the Bokaro steel plant to 5.5 million tonnes, there has also been a commitment from the Soviet side to participate in a 600,000-tonne alumina project, for which a detailed report is to be prepared by the government of India.

But where Moscow has displayed really impressive diplomatic *finesse* is in being conspicuously liberal with assistance in the form of much-needed key materials. Just as it had earlier come to the help of the Indian food economy with a wheat loan, it has now agreed to sell considerable quantities of crude and also increase the supply of heavy water for the Rajasthan atomic plant in respect of which the government of India has indicated its requirement as 2.5 tonnes of heavy water. In the case of oil, the Soviet Union had supplied 1.5 million tonnes of crude last year and had agreed to supply 600,000 tonnes more when prime minister Kosygin visited the Indian capital in March this year. Now Moscow has undertaken to consider an Indian request for annual crude supplies of the order of from 2.5 million tonnes to three million tonnes.

Incidentally, Mr Narsingh Yadav in the ministry of Petroleum and Chemicals should perhaps be advised to think before he speaks. He has gone out of his way to confuse the public by alleging—without warrant, as his own ministry had to clarify subsequently—that the Soviet Union was going back on its offer to supply crude. This is not the first time that this minister has put his foot into his mouth.

The question naturally arises whether the Soviet Union is doing all this out of a sheer *Hindi-Russi bhai bhai* spirit or whether there is more to it all besides a feeling of fraternity. Actually, there is not much mystery here, with the Soviet prime minister Mr Kosygin openly asking India to use its influence on the sub-continent to help stabilise the government in Afghanistan. While it is not very clear what weight New Delhi's advice would carry with president *Zia* who, according to Soviet complaints, is rendering aid and comfort to the rebels in Afghanistan, Mr Morarji Desai has probably been flattered by Moscow's assessment of India's importance in these matters. In any case, it is clear enough that the Soviet Union does attach considerable value to the Asian significance of India's political and diplomatic resources, a reading which gathers added meaning from the tentative moves initiated by Moscow for opening up at least limited dialogue with the People's Republic of China. There is no gainsaying the fact that any development, however limited, making for a reduction in the antagonism, or respite from the cold war dividing the Soviet Union and China would be a giant leap forward in promoting peace on the continent of Asia and in the world itself.

If all goes well in the US Senate, and the Salt II treaty is duly ratified, there could be no better follow-up of this, from the point of view of the world and its people, than progress, however provisional, in the restoration of neighbourly relations between the Soviet Union and China. Indeed, in the absence of constructive developments of this kind, it would be idle to hope for any significant diminution of militarism which has been threatening mankind like a Damocles' Sword in all the years since the last war. despite the terrible lessons of that war. If, in bringing about any such improvement in world affairs, India could be of some help to the Soviet Union, India would be both proud and pleased. Meanwhile the present government in New Delhi deserves to be praised for confirming or reconfirming that, despite the earlier questioning within the Janata party of the value of the Soviet connection, it has shown itself to be fully conscious of the national interest in building further on the structure of Indo-Soviet cooperation, which has been such a reassuring feature of Asian or even global politics all these years. Not that too much importance need be attached to the promise secured from Moscow during the Desai visit of Soviet withdrawal of its military presence from the Indian Ocean provided the US also agrees to do likewise. These are issues of super-power global strategy which could be truly settled only at other levels.

PRICES
Why didn't we depend on our own booster rocket to put Bhaskara in orbit ?
GOVT

Warsaw, Prague sojourn

LIKE MR Morarji Desai's visit to Moscow, his sojourn in Warsaw and Prague last week has also proved significantly fruitful. The pattern of his talks with the Polish and Czech political and governmental top brass covered both political and economic matters.

It is reassuring to note from the joint communiques issued at the end of Mr Desai's visit to the two countries, that they stressed the need for nuclear disarmament following the Vienna summit between the Soviet president, Mr Leonid Brezhnev, and the US president, Mr Jimmy Carter, on the second strategic arms limitation treaty (SALT). Without the disarmament follow-up, the SALT-II, it was felt, would not be of much use.

There was a close identity of views between Mr Desai and the government and party leaders in Poland and Czechoslovakia on such matters as the political situation in west Asia and south-east Asia. A noteworthy outcome of his visit to Poland has been the assurance contained in an aide memoire signed between the Foreign Affairs minister, Mr Atal Bihari Vajpayee and his Polish counterpart, Mr Emil Wojtaszek, that Poland will revise its maps of south-east Asia so as to conform to the Indian maps in regard to India's boundary with Tibet. Both the Soviet Union and Poland have already revised their maps in regard to the Indian boundary in the eastern sector according to the Indian interpretation and maps. Poland is the first country in eastern Europe which has proposed to revise its maps in respect of the alignment of Indian boundary in the northern sector in conformity with the Indian maps.

growth in cooperation

A good deal of satisfaction was expressed by the Polish Communist Party chief, Mr Edward Gierek, and the Polish prime minister, Mr Henryk Jablonski, over the substantial growth in cooperation between India and Poland in the fields of mining and power, ship-building, machine-building and aviation industries. The two sides also welcomed the growing cooperation between them in such spheres as culture and science. Cooperation is now to be extended to the area of health : an agreement to this effect was signed during Mr Desai s visit.

The Indo-Polish cooperation in the economic field, it has been proposed, should be further deepened and diversified through expansion of trade and also identifying new areas under the long-term agreement on economic, industrial and technical collaboration between the two countries. Incidentally, the Polish authorities have expressed their inability to export any large quantities of coking coal for the time being because their current output of this type of coal is fully committed.

As could be expected, the serious imbalance in the trade between India and Czechoslovakia came up for detailed discussion between Mr Desai and the Czech prime minister, Mr Lubomir Strougal. This imbalance has resulted from India's imports from Czechoslovakia getting stagnated and even going down in some cases as a result of the improvement in its manufacturing capacities in several fields. It has been agreed between the two prime ministers that efforts should be made to improve exchange of goods through exploring fresh avenues of trade.

While specific measures will come up for discussion for improving the Indo-Czech trade and economic relations during the forthcoming meeting of the Indo-Czechoslovak Joint Commission on

Trade, Economic and Technical Co-operation, where the Indian delegation will be led by its Commerce minister, Mr Mohan Dharia, some broad guidelines for the working of this commission have been discussed and agreed to between Mr Desai and Mr Strougal. The Czech authorities have offered to sell to India electronic goods, tractors, diesel engines and agricultural machinery. They have also proposed that the expansions of 55-odd projects set up in India with Czech assistance should be examined. Mr Desai quite appropriately pointed out that the scope for India importing big tractors from Czechoslovakia was limited in view of the small holdings of the Indian farmers. Mr Strougal suggested that Czechoslovakia could tailor its production of certain types of machinery to suit India'a agricultural needs. It was emphasised that Czechoslovakia should look at the priorities of India's sixth Plan to see whether and to what extent it could adjust its products for export to India.

The above problem, of course, is not being faced by Czechoslovakia alone. Some other countries of eastern Europe, including Yugoslavia, are facing similar difficulties. If their trade with India has to grow substantially in the years to come, it is apparent that the fast changing requirements of India will have to be closely followed by the east European countries with a view to identifying new areas of trade and economic cooperation.

Bungled borrowing

The Reserve Bank's policy in regard to the floatation of central loans for completing the borrowing programme for 1979-80 is not being conceived rationally. The anxiety seems to be only to maximise the net borrowing regardless of the strain that may be experienced by the banking system. In view of the outspoken expression of opinion by many bankers at the meeting held on May 26 with the Reserve Bank Governor in Bombay, the credit policy for 1979-80 has not yet been formulated. The question whether there should be regulation of credit for stipulated periods or the average rate for incremental advances out of incremental deposits should be fixed for the whole year is yet to be decided. It, of course, has been indicated that there would be no change in the cash reserve and liquidity ratios and the impounding of portions of new deposits on the prescribed basis will continue.

profitability of banks

A plea was also put forward by some chief executives of major banks at the meeting with the government that there should be improvement in the profitability of banking operations and lending rates should be revised, if need be. The observations in this regard led to even speculation about the possibility of an increase in the Bank Rate in order to facilitate an upward revision of lending rates by institutions. However, beyond indicating that concessional lending rates to the borrowers should be withdrawn and the feasibility of levying varying service charges are being examined, there has been no tinkering with the Bank Rate. In view of opposition to dearer money in some quarters and the undesirability of raising industrial costs, no decision is likely to be taken about a hike in the Bank Rate.

The package of anti-inflationary measures reported to be contemplated by the government also has not been given shape as yet because of fears that there would be a repetition of the happenings of 1974 and controls may have a retarding effect. What will be the nature of measures considered imperative, of course, will depend on the prospects for the kharif food and cash crops and the beneficial effects of the north-east monsoons. The whole situation, therefore, is in a state of flux and monetary authorities are unable to make up their minds about what new steps should be adopted for regulating the use of bank funds.

There is no doubt that there is a need for restricting credit on a selective basis. But there is no escape from increasing credit for financing costlier imports of crude and petroleum products, fertilisers, cement, steel, non-ferrous metals and various other items. Within the country also, upward adjustments in the prices of steel, cement and heavy chemicals have been effected and there is the prospect of coal also becoming dearer.

The prevailing situation, therefore, is different from the conditions of 1974, and the impact of rising oil prices and imported inflationary pressures are bound to be continually felt for some time. There will necessarily be an increase in indigenous prices in some directions and a big rise in the index of wholesale prices can be prevented only through a healthy agricultural situation. The calculations of the government will be seriously affected only if there is failure of the monsoon and the output of food and cash crops suffers in some regions due to drought.

Taking into account the performance of the agricultural sector in the 1975-79 seasons, it is, however, improbable that there will be any big drop in agricultural production which will create unexpected difficulties. The government is also in possession of large buffer stocks of foodgrains and raw cotton. The accumulating foreign exchange reserves also can be used for augmenting supplies and eliminating scarcities though imports may be costlier than the corresponding indigenous products.

sorting out problems

These problems have to be properly sorted out and it has to be recognised that dearer money will not provide the necessary correctives, especially as the additions to money supply have taken place on a dispersed basis due to large inflow of remittances from non-resident Indians and increase in agricultural production in almost all regions in the country. There should not be any major disturbance to the structure of interest rates.

It, of course, may be examined whether some discipline can be induced in spending by government departments, and the subsidy involved in privileged borrowing by the central and state governments and public bodies reduced. The desirability, of minimising losses suffered by institutional investors, particularly banks, on 'forced' subscriptions to new loans and bonds has been realised and the yield on government securities and bonds has been raised slowly by half a per cent over the past few years. But the cost of borrowing is still not high and it will ensure better use of funds if banks themselves can lend directly to public sector undertakings and even government departments for specific purposes at higher interest rates so that funds are applied for intended purposes and the returns from investments are reasonable.

The policy for borrowing by central government in 1979-80 was given shape when it was decided by the Reserve Bank to issue a long-dated loan at 7 per cent and dispense also with 5½ per cent loans. In fact, impression was given when the terms of new loans were announced in the third tranche of borrowing in May, that even 6 per cent loans had been discarded. However. the Reserve Bank seems to be wobbling in its thinking as the pattern of new loans in the fourth tranche has been conceived differently.

staggering of operation

There also seems to be no attempt at proper staggering of mobilisation of resources. In the first two tranches, there were reissues of the earlier loans for Rs 250 crores. In May, a net amount of Rs 550 crores was raised through three new loans. In the fourth tranche, the notified amount for two new loans and a reissue of the long-dated loan is Rs 600 crores. As the right to accept subscriptions up to 10 per cent in excess of the notified amount will be exercised, the gross amount raised will be Rs 660 crores, taking the total of borrowings in the four phases to Rs 1460 crores, against the budget estimate of Rs 2,148 crores.

The subscription lists for three loans announced now will open on July 2 and will surely be closed within a few hours on the same day as on the former occasions, because the Reserve Bank also will be lending its support. It has apparently been decided to carry out the funding operation in respect of the three maturing loans at the earliest opportunity though this procedure will be slightly costlier for the Finance ministry at the centre. On the present occasion, the short-dated loan has been revised with the floatation of six per cent 1987 loan. In May, the 6¼ per cent loan matured after 10 years, but the 6½ per cent medium-dated loan will now have a duration of 18 years, against 16 years for the 6½ per cent 1995 loan offered on May 25. The 7 per cent 2009 loan is being reissued. The new pattern, therefore, gives an impression that the Reserve Bank is not contemplating a further increase in current yields on government securities though it is not clear why the short-dated loan has been revived.

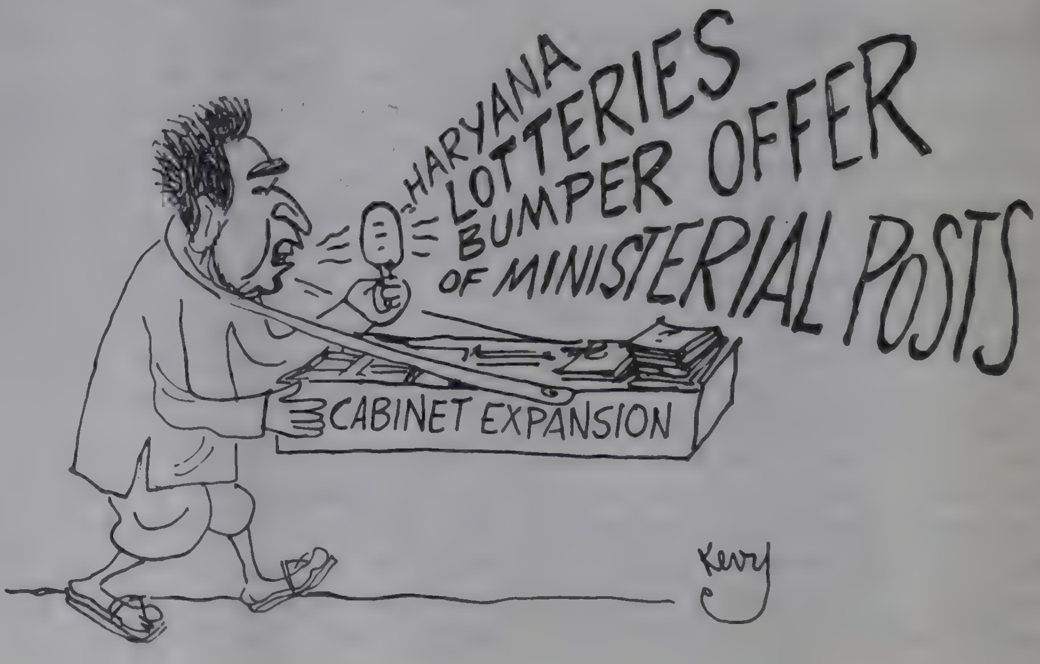
conversion terms

The holders of three maturing loans have been offered conversion terms. This is the first time in recent years that three loans fall due for redemption in a short period in July. The 4 per cent 1979 loan is outstanding for Rs 106.06 crores and is repayable on July 1. The 4¾ per cent 1979 loan for Rs 101.36 crores and 5 per cent 1979 loan for Rs 86.83 crores are falling due for redemption on July 15 and 16, respectively. The holders of the maturing loans will have the advantage of higher interest rates as these will be paid from July 1 irrespective of dates of maturity. Though this procedure is slightly more costly for the central government than if the loans were floated on July 16 and the holders of the 4 per cent 1979 and the 4¾ per cent 1979 loans were told that they would get the same interest upto the date of conversion, the funding operation has been carried out earliar with a view perhaps to facilitating the issue of state loans and even subsequent reissues of central loans.

avoiding strain

The notified amount could have been fixed at Rs 500 crores so that the net amount raised would not be more than Rs 250 crores. This would have avoided strain on the banking system. The Reserve Bank, therefore, should shake up sizeable parcels on its own account, if banks have fulfilled their statutory obligations and are not eager to put in large subscriptions.

The target for net borrowing for 1979-80, of course, can be easily exceeded, as in the first three tranches in 1978-79 the net amount raised was only Rs 1,059.25 crores, whereas it will now be Rs 1,165 crores in four tranches. With higher statutory liquidity ratio and faster growth in deposits, it will certainly be possible for the central government to secure a net amount of Rs 2,000 crores, if not more, and exceed the target of Rs 1,850.49 crores for net borrowing in the whole year. Only there will have to be careful staggering of reissues of existing loans. There will be no need for issuing new loans for public subscription in the coming months as only the 7 per cent Gold Bonds have to be redeemed early in 1980. The new loans, of course, may be offered for public subscription for staggering out-



standing amounts. With a helpful policy the government can secure its requirements without difficulty. Needless strain on money market can be avoided at the same time.

Power plans

THE CENTRAL Energy ministry sources are optimistic that the overall power situation in the country would improve significantly this year, provided, of course, the rains are satisfactory and coal supplies to the thermal plants do not pose any serious problem. This optimism is based on the fact that nearly 3,000MW capacity was added to the generation system last year. Out of this, nearly 1500 MW installations had been actually synchronised and the other 1500 MW capacity was rolled in. It will be synchronised soon. Satisfactory monsoons will help in raising hydel generation as happened last year when the overall power generation went up by nearly 12 per cent. Hydel generation increased last year by 24 per cent and thermal output by three per cent. Towards the end of this year, when some additional capacity, currently under implementation, will be added and the last year's rolled in capacity would have been synchronised, the situation, it is felt, should ease considerably.

Region-wise, power supply is expected to remain satisfactory in the north—Jammu and Kashmir, Himachal Pradesh, Panjab, Haryana, Rajasthan, Uttar Pradesh, Delhi and Chandigarh—and the south—Andhra Pradesh, Tamil Nadu, Karnataka, Kerala and Pondicherry. The availability should also be comfortable in the western region, comprising Gujarat, Madhya Pradesh, Maharashtra and Goa, if coal supplies are adequate. The north-eastern region, comprising Assam, Meghalaya, Mizoram, Nagaland, Arunachal Pradesh and Manipur, too may not pose any problem. The only zone which is causing a good deal of anxiety is the eastern zone, consisting of Bihar, West Bengal, Orissa and the DVC power system. This is due to the fact that not only has generation been affected here in the recent months by several factors too well-known to be repeated here but also owing to inadequate additions to capacity over the years. Even this year, the additional capacity that may materialise will not be much.

The availability improved last year by as much as 20 per cent in the northern zone, 17 per cent in the southern zone, 7.5 per cent in the western zone, but just by 1.5 per cent in the eastern zone. In the north-eastern zone there was also only a small increase in generation.

The slow additions to capacity in the eastern zone are attributed to smaller sanctions vis-a-vis the other regions as well as to inordinate delays in the implementation of the projects sanctioned, For instance, nearly 1,500 MW capacity which could have been added to the West Bengal system by now, as it had been sanctioned several years ago, has not yet materialised. The difficulties of West Bengal and also of Bihar, it is further understood, emanate from their large dependence on the DVC system, which is not very efficiently linked to the two state systems.

The last year's 3,000 MW addition to generation capacity fell short of the original target by about 800 MW. This year's target for addition to capacity, therefore, has been put more realistically at 2,800 MW. This, of course, is not expected to upset the implementation of the current Plan's target of adding 18,500 MW to the 25,000 MW capacity available at the beginning of the Plan. The Energy ministry is still working on programmes which will add 18,000/18,700 MW capacity during the five years of the current Plan, as the growth in demand continues to be anticipated around 10.5 per cent per annum. The additions to capacity in the next three years, it is felt, can be at the rate of 4,000 MW each year for not only the indigenous equipment manufacturing capacity is being augmented and implementation agencies have grown but also some imports of equipment will be effected through World Bank assistance,

The difficulties on the power front since the turn of the current decade are primarily attributed to smaller additions to capacity compared to the previous two decades. Whereas the increase in the generation of power during the 20 years

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to 1970-71 averaged 10.5 per cent per annum, it is estimated to have been of the order of only 6.5 per cent a year since 1970-71. During 1976-77 and 1977-78, the increase has been barely around three per cent. On the demand side, the load has been going up steadily, particularly from the agricultural sector as a sequel to nearly 3.5 million pumpsets having been commissioned.

A feeling is understood to be growing that the available power supplies are not being very efficiently utilised by the country. One per cent growth in our gross domestic product, it is pointed out, has necessitated power consumption going up by 2.7 per cent and the overall energy use by 1.9 per cent. In the advanced countries, this ratio is around unity—in some cases, even less than one per cent. More efficient use of power, therefore, is considered essential if shortages are to be obviated, despite the expenditure on power development being stepped up to as high a level as about one fourth of the total current Plan's outlay. A detailed analysis of the above phenomenon can be expected to have some influence on the structural development of the country.

demand management

With a view to mitigating power cuts, which entail loss of production at the consumer-end, demand management is envisaged to be fostered to even out the peak loads. This method, if efficiently used, say, in the agricultural sector, should not affect output if power is shut down for farming during the evening peak-load hours. The supplies during the remaining hours can fully meet the requirements of agriculturists.

The energy policy committee, which has been appointed recently under the chairmanship of Mr N. B. Prasad, secretary (Power) in the ministry of Energy, is expected to submit its report shortly. In view of the prospects of supplies of crude oil in the world not remaining abundant in the future years, this committee can be expected to suggest greater use of renewable source of power generation. Knowledegeable circles opine that greater resort will also have to be made to nuclear energy. But if the current thinking on the use of energy in our economy is an indication, an overwhelming stress may have to be placed by the committee on a more efficient use of power by consumers. The report of the committee, indeed, will be awaited with keen interest.

Railways rolling back ?

THE SERIOUS setback to the operations of railways in April, during which month the originating revenue-earning freight traffic declined to 15.21 million tonnes from 17.06 million tonnes moved in April, 1978, and the approximate number of passengers booked dropped to 256 million from 302.64 million 12 months earlier, has been officially attributed to various factors, mostly beyond the control of railway administration. So far as the freight traffic is concerned, these, it is explained, include mechanical breakdowns in the central India and Talcher coalfields, labour strikes in certain Bengal-Bihar collieries, shortage of power in the washeries affecting movement of raw coal to the steel plants, breakdown of reclaimers at Bacheli for about 10 days, accumulation of ore stocks at the Vizag port restricting loading potential for movement of iron ore for export and immobilisation of nearly 2,000 wagons for more than a fortnight in the Jamshedpur area on account of the disturbances there. In the case of passenger traffic, the sharp drop of 19.9 per cent in the suburban sector, it is stressed, should be viewed in the light of the sudden spurt in the issuance of suburban season tickets in March, which probably indicated that the commuters had renewed their quarterly season tickets during that month itself. No explanation, of course, has been offered for the nearly 10.5 per cent lower bookings of non-suburban passenger traffic.

Whatever truth might be there in these explanations, they seem to amount to sidetracking the basic fact that discipline among the railway employees has deteriorated a great deal. This has manifested itself in an abundant measure in the various agitations and wild-cat strikes recently, specially in the eastern sector. It is rather odd that this major factor is being played down.

That the above inference is not unwarranted should be evident from the decisions reached at the last week's two-day conference of the zonal general managers of railways. Some of the observations of the minister for Railways, Mr Madhu Dandavate, in his inaugural address to this conference too were meaningful, though he did not express himself

BONUS DEMAND
AND WHAT DOES THE RAILWAY MINISTER SAY
?
Kevy

so explicitly. He called for stringent action for ensuring the punctuality of trains and putting down of sporadic agitations and indiscipline. The decisions taken at the conference as well indicate that indiscipline is fast growing among the railway work-force, resulting not only in the disruption of railway movement but also in the proliferation of malpractices in bookings of both passenger and freight traffic.

While the zonal general managers have been assigned some specific tasks for the movement of coal, foodgrains and some other essential items, they have been asked to concertedly monitor the punctuality of trains, plug the loopholes in the procedures governing reservation of seats, adopt measures to curb corruption in the allotment of wagons and to reactivise the grievances machinery for quick redressal of staff complaints. It, of course, appears that the maintenance of the rolling stock too has been affected. Along with such factors as development of defects in diesel engines due to heat and the so-called unruly behaviour of the public leading to increase in chain pullings, this neglect of maintenance probably is upsetting train schedules to no small extent. No doubt, trains are sometimes held up by the public, but it must be appreciated that this to a large extent has genesis in the train schedules not being strictly adhered to.

specific tasks

Among the specific tasks which have been entrusted to the zonal general managers are included the lifting of coal from the Karanpura and Raniganj coalfields in full and ensuring of movement of 3,000 tonnes of grains per day to the north-eastern sector before the onset of the monsoons. The zonal general managers have also been told that other essential items such as salt, cement and petroleum products too should be transported in adequate quantities. It remains to be seen how these tasks would be fulfilled if the railway employees do not pull their weight and continue to consider sectional interests more important than the interests of the nation.

With a view to improving the servicing of coaches, increased allocations have been decided upon for three coach repair shops—one each in the eastern, the southern and the western sectors. Wagon repairs too are of equal importance. Inadequacy of wagons, whether it is caused by the wagons being held up inordinately at some destinations or by malpractices in allotment, or from the slow additions to their overall number in recent years, obviously, can be mitigated to a great extent if the maintenance work is again taken up in right earnest as happened during the first few months of the emergency. The railways are the lifeline of the nation. The railway employees, who take great pride in their distinct culture as well as brotherhood, must rise to the occasion and serve the nation, instead of holding it to ransom just because no decision has been taken on their demand for bonus.

Towards a third force?

ONLY A miracle can avert split in Congress(I). The confrontation sparked off between Mrs Indira Gandhi, the Congress (I) president, and Mr Devraj Urs, the Karnataka cheif minister, over the nomination by the former of the president of the KPCC(I), which office Mr Urs was required to vacate, as under the party's constitution, he could not hold both the offices of the presidentship of the KPCC(I) and the chief ministership of the state, that led to the initiation of disciplinary action against him and the dissolution of the KPCC(I), has gone to such an extent that hardly any ground is left for a compromise between the two stalwarts of Congress (I). If Mr Urs leaves the party along with his supporters, voluntarily or otherwise, it obviously will not constitute a small break. As the Maharashtra Congress (I) leader, Mr N. K. Tirpude, has observed, in case the Karnataka crisis is not resolved, the repercussions would not be confined to that state. The party is already a shambles in most states. A verticle split in it, therefore, cannot be ruled out all over the country, barring perhaps Gujarat where Congressmen may like to cash in on Mrs Gandhi's appeal to the electorate in the coming state legislature elections.

Sanjay syndrome

Though ostensibly the split will be caused because of the clash of the powerful personalities of Mrs Gandhi and Mr Urs, in reality it will be the result of the wide-ranging disaffection among Congressmen over the role of Mr Sanjay Gandhi and his supporters. That Mr Gandhi and his supporters have again emerged as a powerful coterie in Congress (I), has been abundantly clear from several recent happenings, including the rally which was organised in the capital a few weeks ago. Enough evidence is also available of the resentment to the re-emergence of this coterie which continues with its authoritarian mode of functioning

Mr Urs had reasons to believe that the demand for his resignation from the presidentship of the KPCC (I) was only a prelude to replacing him as the state chief minister by one who enjoyed Mr Gandhi's confidence. He, therefore, did not want to fall into this trap. He has consolidated his position both in the government and the KPCC (I) by dismissing two of his colleagues—Mrs Bangarappa, Public Works minister, whom the high command had chosen as the convener of the new ad hoc KPCC(I) and Mr R. Gundu Rao, who was considered to be a trusted aide of Mr Gandhi—and winning back some others—for instance, Mr B. Basavalingappa and Mrs Manorama Madhwaraj, the state minister for Women and Child Welfare, from amongst the ranks of those who were earlier aligned with Mrs Gandhi. The ad hoc KPCC(I) which had been appointed by the high command too has been reduced to a near farce.

Of much greater significance than the parting of ways by Mr Urs and Mrs Gandhi, however, is the likelihood of this split in Congress(I)—the third in the Congress during the last 10 years—paving the way for the emergence of third force in the country's politics. The Congress(S) president, Mr Swaran Singh, has already urged Mr Urs that he should re-join his faction. Mr Urs has plans to organise a convention of the pre-split-II Congressmen before the end of this month to clear the decks for the coming together of those who believe in internal party democracy and are opposed to authoritarianism. If this development takes place there is every reason to believe that the re-alignment of the Congressmen from the two factions of Mr Swaran Singh and Mrs Gandhi will be extended in the next phase to include the Congressmen in the Janata party and the other groups by raising the slogan of communalism.

Drought after deluge

THE ECONOMY of the states of the eastern region, which had recently shown some signs of revival, has again suffered a setback on account of severe drought. In West Bengal, the loss of crops has been placed at over Rs 200 crores, including the jute crop (worth about Rs 100 crores). In Orissa, Bihar and Assam also there has been a heavy loss of crops. Last year, in West Bengal standing crops on about 2.8 million acres were affected by floods which also destroyed several minor irrigation installations. The government of West Bengal launched a massive programme to improve the agricultural economy and it was expected that the area under rabi and summer crops would reach 6.1 million acres in 1979-80, as compared to 4.5 million acres in the preceding year. The government of India had made available Rs 14.20 crores for the revival of agricultural production in West Bengal. Besides, a sum of Rs 30 crores had been disbursed as short-term agricultural loans. The implementation of the agricultural programme, however, has been upset by the unprecedented nature of the drought. In 1977-78 the state had achieved a record food production of 9.25 million tonnes and the government had expected that it would be possible to maintain this level in the subsequent year also.

The government of West Bengal has been prompt in initiating several relief measures. It is necessary to implement them effectively and take appropriate action to minimise the impact of natural calamities in the future. The state's annual plan for 1979-80 has envisaged an outlay of Rs 106 crores for agriculture and allied services, compared to Rs 64 crores in 1978-79. For irrigation and flood control the allocation has been raised to Rs 64 crores from Rs 46 crores. The government should increase these provisions where necessary and see to it that the rural economy, affected by the drought, recovers rapidly.

Some time ago, the government had announced its proposal to establish 60 seed multiplication farms and one large-sized multiplication farm for the supply of superior seeds, and to introduce schemes for crop insurance, insurance of minor irrigation installations and to set up centres for undertaking prompt repairs of agricultural machinery. Besides, plans have been drawn up for the integrated development of cattle and dairy farming intended to benefit about half a milion livestock farmers. All these schemes should be carried out with a sense of urgency,

The floods of last year and the recent drought should encourage the states of the eastern region to work together in closer cooperation with one another so that their combined resources can be put to better use for their common benefit. The governments of Bihar, Orissa and West Bengal have entered into an agreement for the use of the water of the Subarnarekha river. Besides, the governments of Bihar and West Bengal have come to an understanding about the utilisation of the resources of certain inter-state rivers. There are also other areas where mutual cooperation can be of great advantage. For instance, in the sixth plan, the provision for additional power in the eastern and the north-eastern regions together is for creating an additional capacity of only, 3,407 MW, compared to 5,855 MW in the western, 4,765 MW in the northern and 4,260 MW in the southern regions, respectively. The states of the eastern and north eastern regions have certainly a strong claim for reconsidering there targets by the central government. Meanwhile, the state governments should tackle the problem of power shortage with greater seriousness. The brunt of the drought would have been far less if the supply of power had not been severely affected by gross negligence.

The state governments should also tone up their administration, especially at the district level, in order to ensure that the funds earmarked for relief are promptly and properly disbursed and that agricultural production and other activities gather momentum. So far as West Bengal is concerned, it was thought that the severity of the last year's floods would help it to shake off lethargy and complacency from the administration and that it would rise to the occasion to meet the challenging tasks of reconstruction. But the fact that a few days ago the chief minister, Mr Jyoti Basu, had to issue a circular urging the government employees to come to office in time and attend to their work promptly seems to show that a spirit of seriousness is yet to permeate the administration.

Back to Rajasthan?

THE MANAGING director of the Rajasthan Financial Corporation, Mr A.L. Rungta, said in Calcutta on June 3 that West Bengal's industrialists were showing an increasing preference for investing in Rajasthan. He disclosed that out of the projects, involving an investment of Rs 40 crores, promoted by entrepreneurs in Rajasthan in the last two years, as much as Rs 22 crores came from West Bengal. Mr Rungta explained that the investment climate in Rajasthan had become more congenial and that, among the many attractions, the availability of abundant power was the most important. He added that though West Bengal's entrepreneurs, who were now seeking to invest in Rajasthan, originally hailed from that state, this did not denote any parochial trend. He said that he had come to Calcutta to enlighten investors about the incentives and facilities available in Rajasthan for developing various kinds of industries.

Though it is certainly in the national interest that all states and regions should rapidly develop their economies, it is a matter of some concern that investment in West Bengal, which has virtually remained stagnant for the past several years, is hardly showing any sign of revival. On the other hand, West Bengal's industrialists seem to show greater interest in Rajasthan and in other states where the prospects are considered to be more favourable. The Left Front government of West Bengal should take note of this trend and try to encourage entrepreneurs to invest in the state where the opportunities for setting up new industrial units are substantial. On the basis of a survey undertaken recently by Tata Economic Consultancy Services, the West Bengal Industrial Development Corporation has identified 260 new industrial projects. Of these, 132 are to be in the small-scale sector and the rest in the medium and large-scale sectors. Project profiles have been prepared for many of these industries.

The latest annual report of the West Bengul Industrial Development Corporotion has said that "the comparative slowing down of new investment proposals in the private sector has also been a phenomenon in the state of West Bengal". It has observed that "the deteriorating power position has taken a heavy toll of industrial output in the existing industries and acted as a damper on new investment decisions".

It, indeed, is regrettable that when the prime minister, Mr Morarji Desai, visited West Bengal a few days ago, he did not show adequate awareness of the problems faced by industries in this state. The representatives of chambers of commerce requested Mr Desai to allot larger quantities of diesel oil to facilitate the running of captive generators. But he bluntly turned down this plea on the ground that the government could not afford to waste its foreign exchange resources of importing this oil. Mr Desai did not realise that by encouraging industries to set up their own generators, not only could production and employment be maintained and even increased but more foreign exchange could also be earned.

Mr Pramode Das Gupta, chairman of the Left Front Committee, remarked recently that the Front would remain in office not only for the current term but also for another five-year period. But how long can the Front afford to *stay in power* without providing power to the people ? West Bengal at one time was in the forefront of industrial development. Can the state again come to the front under the Left Front regime ?

GOVERNMENT OF INDIA

6 PER CENT LOAN, 1987 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 2ND JULY 1987.
$6\frac{1}{2}$ PER CENT LOAN, 1997 TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 2ND JULY 1997.
7 PER CENT LOAN, 2009 (SECOND ISSUE) TO BE ISSUED AT RS. 100.00 PER CENT AND REPAYABLE AT PAR ON 25TH MAY 2009.

Subscriptions to the above loans will be received simultaneously and will be limited to a total of Rs. 600 crores (approximately). Subscriptions may be in the form of (i) cash/cheque or (ii) Securities of 4 per cent Loan, 1979, $4\frac{3}{4}$ per cent Loan, 1979 and 5 per cent Loan, 1979 which will be accepted for conversion at par. Government reserve the right to retain subscriptions upto ten per cent in excess of the notified amount.

2. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. Interest on the securities of 4 per cent Loan, 1979 tendered for conversion will be paid at the rate of 4 per cent per annum upto and inclusive of 30th June, 1979. In addition, anticipatory interest will also be paid according to the rate of interest of the new loan applied for, i.e. 6 per cent or $6\frac{1}{2}$ per cent or 7 per cent per annum, as the case maybe, for one day i.e. 1st July, 1979 at the time of issue of the new securities.

Interest at the rate of $4\frac{3}{4}$ per cent per annum on $4\frac{3}{4}$ per cent Loan, 1979 and at 5 per cent per annum on 5 per cent Loan, 1979 upto and inclusive of 1st July, 1979 on the securities tendered for conversion will be paid at the time of issue of the new securities.

3. In the case of 7 per cent Loan, 2009 (Second Issue) interest for the period 2nd July to 24th November, 1979 inclusive will be paid on 25th November, 1979 and thereafter interest will be paid half-yearly on 25th May and 25th November. Interest on 6 per cent Loan, 1987 and $6\frac{1}{2}$ per cent Loan, 1997 will be paid half-yearly on 2nd January and 2nd July.

4. Interest on all the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs. 3000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 1,50,000/-.

5. Subscription lists for the new loans will open on the 2nd July, 1979 and close on 4th July, 1979 or earlier without notice.

Applications for the loans will be received at :
- (a) offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna ; and
- (b) branches of the State Bank of India at all places in India except at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock Certificates. The advantages of investing in the form of Stock Certificates are as under :—
- (i) It is safer than a Government Promissory Note as the name of the holder is registered in the books of the Public Debt Office.
- (ii) The Stock Certificate will be sent to the applicant direct by registered post by the Public Debt Office.
- (iii) The half-yearly interest will be remitted to the holder direct by an interest warrant drawn at par on any Treasury or State Bank branch stipulated by the holder. If the holder so desires, the interest will be remitted by Money Order after deducting the commission charges; in respect of Stock Certificate where the net amount of interest to be remitted is less than Rs. 20/- no money order commission will be charged.
- (iv) If the holder wishes to sell his securities, he can do so by signing the transfer form printed on the reverse of the Certificates in the manner prescribed therein.
- (v) Government Promissory Notes in exchange for the Stock Certificate can be obtained by applying to the Public Debt Office and on payment of a nominal fee for each new note required.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5 above.

Window on the world

Gold is having fun

WHETHER GOLD touches $300 an ounce in the next few weeks or not, it has already risen enough to send shivers down the spines even of the prouder currencies; on June 11, it touched $282.40 on the London market. Its value has risen in terms of all the major currencies, but it has risen less in terms of the US dollar than in terms of the D-mark or the Swiss franc. Meanwhile, Bonn is worried by the depreciation of the D-mark against the dollar which is pushing up the cost of West German imports at a time when inflation-conscious Germans are becoming uneasy about a rising price level which had registered an increase at an annual rate of 9.6 per cent in the first quarter of this year. The corresponding Swiss rate of inflation incidentally has been nine per cent. The West German Bundesbank has been trying to stabilize the value of the D-mark in terms of the dollar by putting up interest rates, but this is placing a strain on other EMS currencies which may have to devalue in order to keep within the EMS fluctuation limits.

Not only gold prices but also the prices of silver and platinum are rising. The main driving force seems to be the traditional disposition of mankind to protect itself against inflation and political and economic uncertainties by putting its savings into precious metals, while speculators, aided and abetted by the ubiquitous gold bugs, have also been making continuous killings. Interestingly enough individual Americans are currently as much in the throes of "metal mania" as French or even Asian peasants ever have been.

Never have been the pundits more at sea than now. It was only in the last week of May that US Treasury officials were saying that they were "fairly confident" that exchange market stability would continue for a foreseeble future. They were having in mind, perhaps, the specific dollar situation, with the US currency faring well vis-a-vis other major currencies. But, surely, they were reading too much into the US dollar's relevant stability when there was gathering evidence of an energy-induced inflation throughout the global economy.

It is true that the steps taken by Washington on November 1 to stem the slide of the dollar had been followed by the reflow of resources into the United States in excess of the amount expended by the American government to support dollar on foreign exchange markets. It is true again that the trend in US-Japanese trade figures have lately been moving in the direction of a reduction in the US deficit. The official American estimate is that this deficit would decline from 11.6 billion dollars in 1978 to eight billion dollars in 1979. It is considered possible, however, that this trend could change later in the year when the Japanese car manufacturers started rebuilding their inventories in the US market. As against this, US trade officials are negotiating intensively with their Japanese counterparts for an agreement on Japanese government procurement policies which would allow American manufacturers to bid for business from government departments and public undertakings in Japan. For instance, if the American telecommunication industry is allowed to participate in the Japanese market, it could meet orders worth billions of dollers from the Nippon Telegraph and Telephone Public Corporation which is now buying almost exclusively from Japanese suppliers.

The American industry which has been twitted with lack of initiative in exploring the Japanese market for consumer goods is planning a rather imaginative project under the joint auspices of the US department of Commerce and the Japanese ministry for International Trade and Industry and the Japanese External Trade Organisation. A unique floating department store, christened, "Boatique America", will call at 30 Japanese major cities next October, offering high quality American-made consumer goods from over 100 US manufacturers. The object is to secure the exposure of the Japanese public to US consumer goods and demonstrate to retail organisations and distributors in Japan that there does exist a demand for US consumer goods.

The current improvement in the US

trade position vis-a-vis Japan is no doubt an important part of the better balance in international payments position emerging among the developed nations, but it may not be prudent to discount the pressure on the international exchange markets resulting from the large surplus of the oil exporting nations which is being fed by recent increase in oil prices.

pressure of petro-doller

Although petro-dollars are for the time being exerting their pressure mainly on gold prices, this development has indirectly contributed to the disturbance in the world currency markets. Again, with interest rates rising in Germany and Japan, the power of the higher interest rates in the United States to attract capital inflows might decline. It should however be allowed that, since the United States has repaid all of its currency "swaps" with other countries, prepaid some of its foreign currency bonds and sees no immediate need to sell any additional bonds for German marks, Swiss francs or Japanese yens, it is favourably placed to intervene in the foreign exchange markets, should the dollar come to need such support in the future.

Meanwhile the Euro-dollar market remains a question mark. In recent years and particularly since oil prices quadrupled in 1974, the size of OPEC aggregate current account imbalances had risen dramatically from an annual average of 15 billion dollars in 1971-73 to an average during 1974-78 of 80 billion dollars annually—a total of 400 billion dollars in five years. The Euro-dollar market did play a very considerable part in generating the credit expansion and international liquidity needed to cope with these enormous deficits. With oil prices again on the rampage, the Euro-market may once more be vigorously activated perhaps to an extent which contributes unwelcome strength to global inflationary pressures.

In this context, it is relevant to refer to the prevailing expectation that the OPEC surplus may go up by an amount anywhere between 25 billion and 39 billion dollars in 1979 and more in 1980—much more if there are further significant increases in oil prices. Even if the Japanese surplus continues to decline substantially and there is some reduction in the surpluses of other countries such as West Germany and Switzerland, world current account deficits are likely to total some 80 billion dollars in 1979 and possibly more in 1980. In these circumstances, some kind of international action seems indicated for providing in advance for the disciplining of the Euro-currency market. A US official suggestion is that minimum reserve requirements may be stipulated on Euro-currency deposits similar to reserve requirements imposed on domestic operations of banks to limit the volume of the lending. The purpose would be to ease fears that unrestrained credit creation through the Euro-currency markets may contribute to inflation by defeating the efforts of the national authorities to keep monetary and credit expansion under control. The effectiveness with which the Carter administration could advise OECD governments on this and other allied issues would naturally depend partly on the efficiency with which it manages its own domestic economy by striking a balance between fighting inflation and avoiding anything like a serious recession and partly on the success of its energy policies in terms of curtailing imports.

Towards Tokyo

REAL ECONOMIC growth in the United States has slowed down dramatically in the first three months of 1979. Preliminary estimates of the first quarter GNP have indicated an annual rate of increase of only 0.7 per cent. This was considerably below the 6.9 per cent increase registered during the fourth quarter of 1978. Reviewing these trends in the last week of April, the US secretary of Commerce said that they did not indicate a recession but were actually an encouragement to the administration's efforts to restrain inflation through the tight monetary and fiscal policies which would keep the overall rate of economic growth for the entire year at an official target of about two per cent. Both Ms Kreps and the Federal Reserve Board chairman, Mr G. William Miller, predicted at that time that the economy would bounce back during the second quarter of 1979 from the first quarter's slow-down, the former adding that she expected gains in both house construction and business investment.

Washington's worry

What worried Washington more was the inflation factor. The GNP implicit price deflator rose at an annual rate of 8.7 per cent during the first quarter of 1978 compared with 8.2 per cent during the previous quarter. Although this was said to be very considerably due to price increases of 17 per cent and 19 per cent in energy and food respectively, determined more by supply factors than by demand factors, the US secretary of the Treasury, Mr W.M. Blumenthal, admitted that the administration had no viable alternative to continuing with austere fiscal and monetary policies, even at the risk of running the economy into a recession. Speaking in April, he referred to the dollar's sharp rise by 11 per cent on a trade-weighted basis since the beginning of November, highlighted by an appreciation of 21 per cent against the Japanese yen, 16 per cent against the Swiss franc and 10 per cent against the German mark. But he also said that this strengthening of the dollar might not last if progress in the abatement of inflation were to be insufficient.

At the present time, however, American opinion seems to be somewhat more concerned about recession possibilities than it was in April. Retail sales, when adjusted for higher prices, declined for the fourth consecutive month in April. New orders coming into the factories in that month were lower by 6.1 per cent and over March and April total employment had fallen by about 500,000. The US government has warned major oil consumers that, besides being prepared for more shock to their supplies from war, embargo, strikes or political instability, they should also steel themselves to cope with a sustained increase in oil prices which could reach 30 dollars a barrel in a decade.

This assessment has two important implications. In the first place the energy problem has to be dealt with as much on an international plane as at national levels. Second, long-term planning would be as important as short-term correctives. At the national level, there will have to be more investment in most countries in exploiting conventional fuels as well as exploring new energy sources. Second, there will be no escape from pricing oil and gas at the true replacement value which will mean higher prices. In other words the growth of aggregate energy consumption will have to be slowed down and simultaneously coal and solar energy and possibly nuclear energy should be encouraged to increase their respective shares of the market by more intensive exploitation or aggressive research and development programmes.

It is for this reason that the Tokyo economic summit talks, scheduled for June 28-29, must necessarily devote sufficient attention to the possibilities of a broad agreement for cooperative action by consumer nations on oil supply and price problems. As Mr Blumenthal has posed the energy agenda for Tokyo, there is in the world today an oil shortage of one to two million barrels a day and the only way this shortage can be eliminated in the medium-term is for all consuming countries to work together to reduce consumption and to conserve energy. The US secretary of the Treasury has also suggested that the Carter administration should be speaking on this issue from a position of strength since it is confident of fulfilling the commitment it has made in the International Energy Agency to achieve a five per cent reduction in petroleum consumption,

long-range perspective

The energy and other issues are scheduled to be discussed at Tokyo in the perspective of a long-range look at the world economy. The summit is also to discuss the need for faster improvements in productivity, adjustment difficulties caused by the relative immobility of labour, the competing demands of environmental, social and economic goals and the effects of possibly excessive governmental regulations. The summit will have for its seven participants the heads of governments of the US, West Germany, Japan, France, the UK, Italy and Canada. It will be the first of the economic summit meetings of the seven to be held in Asia and this is expected to prompt it to spare some attention for North-South issues. It has been hopefully suggested that there is a possibility at this year's summit meeting of developing "a greater accelerated investment programme" in the less developed countries by the industrial economies.

Inflation: worse to come?

INFLATION IS a veritable seismograph of those factors which affect the well-being of man, but its unpredictable sensitivity to the shock-waves of political and economic change as well as to the caprices of nature, makes long-term projections a chancy game.

However, if the delicate structure of the patterns of inflation which developed from 1967 to 1977 is not disturbed, consumers in most market economy countries may be in for a respite from spiralling prices, while households in the majority of developing countries could possibly expect a continuation of an upward trend which emerged in 1977.

The over-all profile of the ups and downs in inflation rates was roughly similar in both developed and developing countries during this 10-year period, according to data on living costs compiled by the Bureau of Statistics and Special Studies of the International Labour Office.

For instance, of the 73 countries for which data were available, some 50 registered their highest rate of inflation in 1974 or 1975 reflecting rising costs precipitated by, among other things, the steep hike in oil prices.

Before this sharp rise, inflation rates had been slowly but steadily increasing during 1967-73 in most of the market economy countries (including Australia, Austria, Belgium, Finland, France, the Federal Republic of Germany, Greece, Iceland Japan, Luxembourg, the Netherlands, Norway, Switzerland and the United Kingdom), where the trend started downward after the 1974-75 peak. However, in several developed countries such as Canada, Denmark, Italy, Portugal and the United States, inflation was edging up again in 1977.

A striking variation from the majority pattern was evident in the inflation rate during this period in Spain and Sweden where, after a steady climb, it did not reach its peak until 1977.

After a noticeable decline following the high of 1974-75, in most developing counties inflation started to creep up again towards 1977. Outstanding exceptions to this trend were recorded in Chile, where it plunged from 505 per cent in 1974 to 92 per cent in 1977; in Argentina, where it dropped from a 1976 peak of 444 per cent to 176 per cent in 1977, while inflation was highest in Indonesia in 1968 and in Ghana in 1977.

Inflation rates in food prices duplicated the over-all trend with the 1974-75 high in 46 countries, followed by a downward trend in 12 countries which continued towards 1977, while in 30 countries a similar downward trend after the peak had changed direction by 1977. This up-down-up pattern was evident in most of the developed countries including Austria, Canada, Finland, France, Greece, Portugal, Switzerland and the United States.

rising food index

In several other developed countries including Italy, Spain, Sweden and Turkey, the food index went up steadily over the whole period with a peak in 1977. In Australia and the United Kingdom, prices continued to slide after the 1974-75 high into 1977.

The general path followed by inflation in food prices in developing countries showed a steady increase up to 1973, then a sharp acceleration in 1974-75, which was followed by a decrease only to start climbing again in 1977 which may mean that more of the same is in store.

One consumer price index which reacted sharply everywhere to the oil price increase was, not surprisingly, that of fuel and light. The trend subsequent to this reaction, however, differed among developed countries. It fell in Australia, Austria, Belgium, the Federal Republic of Germany, Iceland, Netherlands and the United Kingdom. But it went up again in Denmark, Finland, France, Greece, Ireland, Italy, Japan, Luxembourg, Sweden and the United States.

In most developing countries, the peak in 1974-75 was followed by a drop, then an increase into 1977.

The inflation story in the centrally-planned economy countries is a different matter. Because prices are usually state-controlled in these countries, no comparison can be made with the inflation picture of the market economy countries.

There are certain divergences within this group itself, however, with Yugoslavia's over-all inflation during the 10-year period, for instance, following a similar pattern of the market economy countries, registering a peak in 1974-75, falling in 1976 and rising again in 1977.

While there is no clear-cut pattern in inflation trends in the food indices, Poland, Romania and Yugoslavia registered patterns similar to western industrialised countries, and Yugoslavia's fuel and light index was another which closely followed that of most market economy countries.

If precise predictions cannot be made concerning future trends in inflation rates, one fairly safe forecast can be made—whether in developed or developing, whether in market economy or centrally planned economy countries—inflation will be a fact of life for some time to come.

A marathon for peace

IN AN ANCIENT ballroom of a palace in Vienna belonging to the rulers of the Hapsburg empire, the presidents of the Unites States of America and the Soviet Union signed the second Strategic Arms Limitation Treaty (SALT-II) following a week-end summit meeting. The treaty, which sets ceilings on the numbers of long-range Soviet and American missiles and bombers until the end of 1985, took more than six years of negotiations. The two leaders also agreed to continue Soviet-American consultations and to open negotiations for more far-reaching arms control measures after SALT-II takes effect. It was stated by the American leader that SALT-II will clear the way for "even more substantial limitations and reductions" in SALT-III.

The treaty sets equal ceilings on the nuclear delivery systems of both sides. To begin the process of scaling down, it stresses reductions in the existing nuclear arms. It also places substantial constraints on the modernisation of strategic offensive systems and the development of new ones.

The summit as well marked a definite progress in the negotiations (in which the UK is also participating) on an international treaty comprehensively banning test explosions of nuclear weapons in any environment. The two presidents confirmed their intention of working together with the UK to complete the preparation of this treaty as soon as possible.

nuclear problem

The two sides reaffirmed the importance they attach to nuclear non-proliferation. They consistently advocated the further strengthening of the regime of non-proliferation of nuclear weapons and confirmed their resolve to continue to comply strictly with the obligations they have assumed under the treaty on the non-proliferation of nuclear weapons.

It was realised that the states already possessing nuclear weapons bear a special responsibility to demonstrate restraint. To this end, both sides further committed themselves to close cooperation, along with other countries, to ensure a successful conclusion to the non-proliferation treaty review conference in 1980, and called upon all states which have not already done so to sign and ratify the non-proliferation treaty.

Mr Carter and Mr Brezhnev emphasised the great importance they attached to the negotiations on the mutual reduction of forces and armaments and associated measures in central Europe in which they are participating with other states. A reduction of the military forces of both sides and the implementation of associated measures in central Europe would be a major contribution to stability and security.

The two sides agreed that their respective representatives will meet promptly to discuss the resumption of the talks on questions concerning arms limitation measures in the Indian Ocean also.

The sides reaffirmed the importance of a general, complete and verifiable prohibition of chemical weapons and agreed to intensify their efforts to prepare a joint proposal for presentation to the committee on disarmament. Mr Carter and Mr Brezhnev were pleased to be able to confirm that bilateral agreement on major elements of a treaty banning the development, production, stockpiling and use of radiological weapons had been reached. An agreed joint proposal will be presented to the committee on disarmament this year.

The prime minister, Mr Morarji Desai, who was in Czechoslavakia at the time of the signing of the treaty, welcomed it and added that great powers should not limit themselves to partial measures to control armaments but should take steps toward real disarmament, starting with nuclear disarmament. Detente without disarmament, he said, could only be unstable, and appealed to all nations to move towards efforts aimed at complete disarmament.

Czech nuclear programme

THE EXPANSION of the nuclear energy industry in Czechoslovakia is based on the domestic supply of uranium and on the country's production of nuclear equipment and machinery. The principal role in the development of the nuclear engineering industry has been assigned to the Skoda Trust in Plzen, which celebrated its 120th anniversary this year. Under the Czechoslovak-Soviet agreement on the manufacture of nuclear power equipment, signed in March, 1974, Czechoslovak plants have started production of different installations for atomic power plants.

The Skoda Trust has undertaken the most complicated task of making pressure vessels for reactors. The body of the vessel, made of special steel, is nearly 12 metres tall and weighs about 200 tonnes, It consists of two sections : a hollow cylinder with a spherical bottom, with an outside diameter of 3,840 millimetres, more than 7.5 metres in height and weighing over 100 tonnes, which forms the lower part of the reactor, and a neck section of the reactor which is welded on to the cylinder. It consists of six pairs of short necks on its circumference on which inlet and outlet cooling water pipes are welded on the building site.

By 1985 Skoda will have made 23 pressure vessels for Czechoslovakia and other COMECON countries. The plant could hardly cope with such a widely conceived nuclear programme within its existing premises. Consequently, a new reactor bay, 260 metres long, 85 metres broad and 32 metres high, is being added to the old plant. It will be equipped with a crane having 265 tonnes lifting capacity, which will be able to handle even the heaviest castings, forgings and finished components, and an electric annealing furnace 15 metres long. A concrete bunker with walls two metres thick will be used for flaw-detection tests by means of an intensive hard radiation source.

The Czechoslovak Atomic Energy Commission is taking all safety precautions and has recently published mandatory regulations concerning safety criteria in choosing sites for nuclear power plants with an aggregate capacity of 10,000 MW. The localities chosen as sites for future nuclear power plants are evaluated from many aspects which may have an effect on the safety of the installations, such as seismic activity, floods, extreme precipitation and winds, as well as possible accidents as a result of a plane crash, explosion, fire, etc. Other criteria taken into consideration include the character of the place and the ability of the environment to prevent hazards to man and the sources of his nutrition.

Rice needs of West Africa

THE 15 member-states of the West African Rice Development Association (WARDA) have embarked upon a plan to strengthen their co-operation in rice production. The goal is to reduce West African food imports, leading to eventual rice self-sufficiency for the region. The UNDP has proposed to provide between 1979 and 1981 $300.000 in support of project activities involving sharing of research data, experience, training facilities, production techniques, high-yielding seeds, equipment, etc., among the WARDA members, as well as between the WARDA and the international rice research institutes in the other parts of the world. The project directly flows from the conference of the UN Technical Cooperation among Developing Countries (TCDC).

In the face of a growing rice deficit in West Africa, on the one hand, and the region's untapped rice-growing potential, on the other, this technical cooperation project was evolved in 1970 with assistance from the UNDP and the FAO to provide a mechanism for regional cooperation in rice production. The current membership of the WARDA—Benin, The Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo and Upper Volta—represents a total combined population of some 131 million. The organisation's headquarters are in Monrovia, Liberia.

rising imports

Though rice production in West Africa increased from an average 1.23 million tonnes in the early sixties to about 2.30 million tonnes in 1977, the net imports increased from an average 269,100 tonnes to about 1.11 million tonnes during the same period. Thus, the region's need for increased productivity and output has became urgent. The WARDA, has helped stimulate awareness of the importance of West Africa's underutilized rice-growing potential among members and external donors, a number of whom have provided financial support for its activities. It has also contributed significantly to increases in production through its research, development and training programmes.

High-yielding rice varieties have been successfully introduced together with improved cropping and plant protection methods. Evaluation trials of 1,500 to 2,000 rice varieties each year, together with seed multiplication programmes, have led to wide planting of more than 20 varieties which perform better than traditionally cultivated strains. These varieties now cover about 20 per cent of West Africa's total rice-growing area. Irrigated rice with total water control is now practised on 30,000/35,000 hectares of land. These practices, which result in yields averaging three times higher than all other types of rice cultivation, were

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Eastern Economist 30 Years Ago

JUNE 24, 1949

It is not a little surprising to learn that the Bombay harbour is again heavily congested with ships. The cause, of course, is the loss of the Karachi port on account of partition and the consequent diversion of ships to Bombay port which does not have the necessary capacity to handle the traffic which has been thrown on it. The change in the import policy of the Government, the accumulation of goods in the dock sheds by a section of the mercantile community with a view to saving godown charges and the failure of labour to extend full cooperation, have all contributed to the deplorable state of affairs. In addition to wasting time and causing the deterioration of goods, the congestion in the docks has lowered the reputation of this premier port of the country abroad. The latest decision of the conference of the British, Indian, Dutch, Belgian and Scandinavian lines to impose a surcharge of 25 per cent on all shipping freight rates from the UK and the continent to Bombay with effect from June 30, is a rude reminder of our pathetic condition to mitigate which we have done precious little. It has been explicitly stated that the surcharge is found necessary solely on account of the very heavy congestion at Bombay, with consequent serious delays in the turn-round of vessels.

In fairness it must be stated that the Government of India is making earnest efforts to ease the congestion. Measures adopted to relieve the present glut include the introduction of three labour shifts, extension of working hours and provision for buffer accommodation for goods and clearance of roadways in the dock area.

practically unknown in West Africa about ten years ago. Nearly 100 rice production specialists trained by the WARDA are bringing the new seeds and technologies to the regions.

Clothing the naked

THE TEXTILE sector in most developed countries has been facing a wide variety of structural problems for several decades. Many of these are domestic in origin, arising from advancing technology, new fibres and blends and the rapid advance of the petrochemical giants. But a major problem has been the success of some countries mainly in Asia, in pushing forward with industrialisation thereby creating a new source of competition. During the 1950s the rapid revival of the Japanese textile industry produced increased exports, in particular to the UK and the USA, which had traditionally maintained open markets for textile goods. Many industries in western Europe, already had quantitative restraints; but it soon became clear on both sides of the Atlantic that textile trade in conformity with Gatt principles was going to be very difficult. Pressure increased for controls on textile imports.

In 1974, the Arrangement Regarding International Trade in Textiles (the MFA) came into force—'to achieve the expansion of trade, the reduction of barriers to such trade and the progressive liberalisation of world trade in textiles products, while at the same time ensuring the orderly and equitable development of this trade and avoidance of disruptive effects in individual markets and on individual lines of production in both importing or exporting countries'.

A new EIU Special Report 'World Textile Trade and Production' (No 63) just published at £40, looks closely at the MFA, its progress and how the conflicts of interest are being dealt with. Published by the Economist Intelligence Unit Ltd, the report is available in India from J.A. Shah, 67, Marine Drive, Bombay, 400020; price Rs 697.

The report provides an overall picture of the trend the industry will follow in the 1980s by analysing the prospects in individual countries. In the USA for example, a 2 per cent growth in mill output over the next five to ten years seems probable. In Japan the textile industry shows a little sign of moving out of recession and, in the longer term, it is difficult to see how Japan can avoid a significant deterioration in its textile trade balance without resort to severe and costly protectionism.

Hong Kong is the leading clothing exporter in the world; it accounts for almost half of all developing country clothing exports. For this reason alone, trends in Hong Kong are crucially important in building up a world picture. The growing use of restraints in all major western markets has not only affected immediate prospects, but now looks like continuing. However, textiles and clothing now account for less than 50 per cent of domestic exports and are expected gradually to become less dominant in Hong Kong's economy.

staggering growth

South Korea's textile and clothing industry grew massively in the 1970s, over 40 per cent annually for textiles and a staggering 130 per cent a year for clothing. Seventy per cent of textiles and clothing output is exported. The industry provides work for 37 per cent of the 1.5 million work-force and accounts for 34 per cent of its exports. Considerable growth in output is still expected and the 1977-81 plan envisages a doubling of exports from 1975 to 1981 in real terms.

The EEC is the biggest textile and clothing producing area in the world and, by a considerable margin, the world's largest importer. The textile industry has been one of the sectors worst affected by recession in the last few years. The EEC share of world clothing production fell from 20 per cent in 1963 to 16 per cent in 1974, and its share of world textiles production from 12 to 9 per cent.

Short term prospects for the UK are reasonably good. There has been a boom in consumer spending and clothing appears to have benefited. The stricter MFA has raised confidence, excluded some imports and, perhaps more important helped to create a protected market in the EEC for competitive UK textile and clothing exports. In the longer run, the new, relatively capital intensive and low wage UK industry is well placed to compete in western markets though productivity is below the EEC average.

Future of Belize

A MEETING was held recently by the Juridical Committee of the Organization of American States on the future of Belize, a British colony in central America, which formerly was called British Honduras. It was proposed that Britain and Guatemala should hold discussions to evolve a suitable solution in respect of the claims of the latter over an area in Belize. But Mexico and former British colonies in the Caribbean opposed this view, because they stood for the self-determination of Belize.

Situated on the Caribbean coast of central America and having common borders with Mexico and Guatemala, Belize, occupies an area about 23,000 square kilometres and has a population of about 150,000, mainly of African origin, as well as Mestizos, Creoles and Caribs, and also Maya Indians who live in the jungles. The Chinese and the Lebanese, who settled in the towns over the past decades, are engaged in trade while the Belize people are mainly engaged in agriculture and forestry.

It was in 1862 that the territory was named British Honduras and officially become a colony of Britain. In 1964 British Honduras acquired home rule, the conduct of foreign policy and defence remaining in British hands. It was officially named Belize in June, 1973. The people of Belize have been naturally fighting for full independence, and this legitimate right was backed by the fourth summit conference of Non-Aligned Nations held in Algiers in September 1973.

Expressing the will of the people The, prime minister of Belize, Mr. George Price, recently stated that Belize did not want to be turned from a British colony into a Guatemalan province which lays claim to oil-rich Belize terriotory.

Cover feature

Shipping in deep waters

The minister for Shipping and Transport believes, evidently, that his policy of masterly inactivity is paying off. Addressing newsmen in New Delhi a few days ago, he said that the higher freight rates now prevailing in the international market were curing the shipping industry of its depression. He claimed that the Shipping Corporation of India would not suffer any losses this year after being in the red in the last two years, during which it lost nearly Rs 15 crores in the first and Rs 23 crores in the second. Mr Chand Ram has not said anything about the rest of the shipping industry. Not all of them may share his diagnosis that shipping has got out of deep waters.

Mr Chand Ram's easy optimism should not unduly influence the panel which was set up recently, under the chairmanship of the chief economic adviser to the government, to examine the relief measures needed to put Indian shipping on an even keel after the buffeting it has received from the adverse winds of the carrying trade. The panel has been asked to recommend long-term measures for the continuing growth of Indian shipping as well as short-term remedies for the weakened finances of many shipping companies caught in the down-swing of freight rates and the demand for shipping space. Mr Chand Ram has noted the incipient improvement in freight rates of tankers and bulk carriers, but while this trend is welcome, too much should not be read into it because of the mounting oil crisis and the constraints on economic activity, particularly in the industrial countries.

Indeed, while this country has rightly participated in the demand of the Third World for a square deal for shipping in international trade and is also emphasising in its national policies the importance of stepping up exports, the various problems relating to the sound and steady development of national shipping are certainly not being taken up or dealt with in an imaginative and organised manner. One of the deplorable consequences of this lack of a positive policy for shipping is that the national effort to increase or diversify exports in terms of countries or commodities is not bearing fruit to the extent it should, says Mr R. J. Venkateswaran in this analysis of the current troubles of the Indian shipping industry and their adverse impact on the export trade of the country.

EXPORTS CONTINUE to be affected by excessive shipping freight rates, irregular and inadequate sailings, congestion in ports and the lack of close cooperation between shippers and shipping companies. In respect of imports also, delays and difficulties arise and they become costlier. It is, therefore, necessary to adopt an integrated approach to these issues so that while the shipping companies can operate profitably, the shippers are able to export at competitive rates and imports can also be secured on the most favourable terms.

The export policy resolution adopted by parliament in 1970, referred to inadequacies of the infrastructure for exports and emphasised the need to strengthen the shipping facilities. The resolution said that it was proposed to expand the national merchant marine fleet, start new services and consolidate the existing ones, and also improve the institutional machinery to secure fair freight rates for our export cargo. Further, it suggested that the methods for the handling of export cargo in our docks should be improved. But this part of the export policy resolution has not been implemented effectively.

The tonnage of Indian shipping increased from 2.95 million GRT in January 1974, to 5.58 million GRT in January 1979. But Indian shipping carries only about 28 per cent of our total sea-borne trade. As over 80 per cent of the exports move by sea, it is important to ensure that our shipping is able to carry at least 40 to 50 per cent of the trade in the next few years. Shippers continue to complain about the inadequate availability of space to such destinations as East Africa, West Africa, Abu Dhabi, Nigeria, the Red Sea ports and the countries of Latin America, and uncertainties in sailings to Britain and the continent. It is estimated that nearly 70 per cent of our cargo in the West Asian Gulf trade is being handled by third flag carriers.

High freight rates have been among the major hindrances to the promotion of exports both of traditional and non-traditional items. For instance, the freight element in the shipment of jute goods varies between 15 to 25 per cent of f.o.b. value while, according to the criteria laid down by GATT, it should not be more than 12½ per cent. The freight rates on engineering goods to the EEC countries vary from 15 to 33 per cent of the f.o.b. value. The engineering industry hopes to raise its exports to the EEC countries from about Rs 100 crores in 1978-79 to Rs 130 crores by 1980-81. But this target cannot be achieved unless the freight rates are substantially lowered. Shipping companies, however, can afford to reduce their rates only if their costs of operation are brought down by improving the conditions in the ports. It is obvious, therefore, that our foreign trade can be developed on healthy lines only when all these problems are tackled with close cooperation among the different departments of the central government and between the shippers and shipping companies.

Viability Affected

The viability of shipping companies has been seriously affected in recent years by unfavourable trading conditions in the world, frequent and sharp fluctuations in exchange rates, acute congestion in major ports and other causes. The Shipping Corporation of India, for instance, had worked satisfactorily up to 1976-77, but in 1977-78 it suffered a net loss of Rs 14.74 crores, mainly because of the heavily depressed freight market. While the operating costs increased sharply, there was a fall in the average yield for the bulk of the tramp vessels. Besides, with the addition of vessels, there was a rise in the incidence of depreciation and interest. The Moghul Line incurred a loss of Rs 917.79 lakhs in 1977-78. Other shipping lines also had to lose heavily due to factors beyond control. The shipping companies in both the public sector and the private sector, therefore, have had to depend on loans from the government.

The Shipping Development Fund Committee had been constituted in December, 1977. Its activities have proved helpful to the shipping companies but, considering the serious handicaps faced by them, it should have been more swift and sympathetic in sanctioning and disbursing loans. During 1977 and 1978, a rupee loan of Rs 11,218.36 lakhs and a SAFAUNS loan of Rs 15,190.82 lakhs were sanctioned for acquiring a total new tonnage of 3.85 lakh GRT. But not all the companies which applied for loans have got the money. According to a statement made by the central minister of Shipping and Transport in Lok Sabha on March 22, 1979, loans had not been sanctioned for several companies, including India Steamship Company, Western India Shipping Company and Himalaya Shipping Company. While the government is justified in prescribing certain criteria for giving the loans, it is also important to adopt a flexible and realistic approach in view of the difficult conditions through which the shipping industry has been passing.

Relief Measures

In the beginning of 1979, the government announced certain measures to provide relief to those shipping companies which were facing acute problems of cash flow. It was decided to replace foreign exchange loan instalments falling due up to March 31, 1979, by loans under the SAFAUNS scheme from the country's foreign exchange reserves. A moratorium was granted on the repayment of instalments of the Shipping Development Fund Committee falling due up to March 31, 1979, for three years. Besides, additional loans were to be provided against past acquisitions where the original amount of the loans fell short of the maximum permissible limit. The government also set up a high-level committee to consider further assistance to be given to the shipping companies beyond March 31, 1979.

About 20 companies had applied for relief from the Shipping Development Fund Committee. These included the Shipping Corporation, Moghul Line, Scindia Steam, Ratnakar, India Steamship, Mackinnon Mackenzie, Chowgule Steamships and others. The fact that so many campanies had to seek relief gives an indication of the distress conditions under which they have been operating.

The minister of state for Shipping and Transport, Mr Chand Ram, said some time ago that the government of India could not afford to give indiscriminate assistance to the shipping industry. He said, "It is well-known that Indian shipping has grown nearly 30 times during the last 30 years since independence, primarily, owing to two factors, namely, the grant of very liberal loans by the SDFC at very low rates of interest and the provision of a very high rate of development rebate. The government is continuing its policy of great solicitude for the national shipping industry and the SDFC is continuously reviewing and modifying its lending procedures and policies to accommodate the difficulties of Indian shipping." He, however, cautioned that the "imperatives of development have to be balanced against the dictates of financial prudence" and emphasised that "there is a limit to which we can afford to expose the tax-payers' money to risk". He suggested that "the government would have to draw a line somewhere and refuse to throw good money after bad". But at the same time the government should not be overcautious to such an extent as to ignore the realities faced by the shipping industry and refrain from providing adequate and timely assistance.

Port Congestion

In the meanwhile, the government should adopt energetic measures to improve the conditions in the major ports so that the shipping companies can cut down their costs of operation. In Bombay and Calcutta particularly, congestion has assumed serious proportions. The maximum waiting period in the Bombay port was 83 days in August, 1978, 95 days in September, 84 days in October, 63 days in November, 68 days in December and 50 days in January, 1979. Strikes and stoppages of work have been the main reasons for the congestion. The government has been trying to solve this problem in Bombay by diverting cargo to other ports, by revising demurrage charges, by undertaking midstream unloading into barges and by other measures. But unless labour discipline is enforced and productivity improved, the shipping lines will continue to face difficulties.

In the Calcutta port, the total cargo handled steadily declined from 273,841 tonnes in January, 1979, to 244,187 tonnes in February and 202,386 tonnes in March. Labour problems and the strike by the personnel of merchant marine were responsible for the fall in the volume of cargo handling.

Less Work More Pay

It is interesting to note that labour charges in the Calcutta port have been substantially higher than in Bombay. As the Association of Shipping Interests in Calcutta has observed in its annual report:" While the output of general cargo is about 60 tons in Bombay per hook per shift, it is only 28 tons in Calcutta. The output of bagged cargo per shift in Bombay is 150/180 tons whereas in Calcutta it is only 55 tons. While the labour output for general cargo and bagged cargo at Calcutta compares unfavourably, the cost per gang hook at Calcutta also compares unfavourably with Bombay. For instance, at Bombay, the cost per gang hook is Rs 1,255 and DLB levy 150 per cent, whereas at Calcutta the cost per gang hook is Rs 1,685 and DLB levy 225 per cent. In Bombay, levy has been reduced further by 16 per cent, while in Calcutta it is increased by 16 per cent. Therefore, the cost per ton for general cargo in Bombay is Rs 21, as compared to Rs 60 per ton at Calcutta and for bagged cargo the cost per ton in Bombay is Rs 7 as against over Rs 40 per ton at Calcutta. This acts as a deterrent for the ship owners in the Calcutta port and it is imperative to improve the structure of port services and reduce charges in Calcutta to attract more ships and cargoes (by reducing labour costs)."

Apart from low labour productivity, the existence of obsolete equipment is another serious impediment to the efficient operation of shipping services. The minister for Shipping and Transport told Lok Sabha on April 19, 1979, that during the Plan period 1974 to 1978, a sum of Rs 414.35 crores was spent on developing the capacities of major ports. He revealed that the important schemes and projects completed in this period included a satellite port at Haldia; Outer Harbour at Vishakapatnam with modern handling facilities, Outer Harbour at Madras with a modern oil jetty and an iron ore berth, high speed handling facilities at Mormugao, the Salaya offshore terminal at Vedinar, the port at New Mangalore and the new Tuticorin port. But regrettably little has been done to modernise the equipment at Bombay and Calcutta.

Obsolete Equipment

In Calcutta, according to the Association of Shipping Interests, floating cranes are over 30 years old, tractor trailers 20 years old, mobile cranes 15 to 20 years old, and forklifts 4 to 5 years. The association has said that "shipping and shippers are paying for all these facilities as if they are new but they hardly get reasonable service for the cost incurred and, on an average, these equipments do not work for 50 per cent of the time paid for". As we have an abudance of foreign exchange reserves, there is no reason why the programme of port modernisation cannot be expedited.

It is clear therefore that the government of India has to show more earnestness in developing the shipping industry so as to enable it to play its part in promoting our foreign trade. Developed countries are constantly taking advantage of the advance of modern technology in the field of shipping and related activities. The introduction of containerisation and LASH and RORO ship has given these countries a distinct advantage in competing in world markets. India, therefore, cannot afford to lag behind. Our share in world exports in 1977 was only 0.62 per cent. There is immense scope as well as imperative need to raise this share and the shipping industry can greatly contribute to this objective.

Shippers' Council

The shippers in recent years have organised themselves to safeguard and promote their interests. But it is necessary to strengthen this movement. There are over 50,000 shippers in the country, but the membership of the All-India Shippers' Council is understood to be only of the order of 500. Shippers have often complained about the lack of prompt response from shipping companies to their difficulties. In a note submitted to the Commerce ministry last year, the All-India Shippers' Council said: "The conference system, which has been in existence for over a century, has outlived its usefulness. In recent years, the conferences have been turning more and more monopolistic in character, overlooking the interests of shippers whom they most primarly serve... The present practice of deferred rebates, shippers' loyalty, closed conferences and pooling system should be replaced by a healthy system in the form of open conferences with contract and non-contract freight rates".

The government of India should see to it that shippers and shipowners work in close and constructive cooperation with each other so that the country's foreign trade can be developed on healthy lines.

Economic revolution by budget

London

V. R. Bhatt

The new British Chancellor of the Exchequer in his budget proposals has demolished major props of the welfare state to encourage the private sector and reduced the role of the state "in order to enlarge the freedom of choice of the individual" to an extent that has surprised even the conservatives. Although there is a threat of confrontation with the labour unions, the government believes the set-backs will be short-term and the people will ultimately work harder for creating wealth for the whole nation.

It is a rare phenomenon in democracies when a political party which wins an election on a radical platform involving a revolutionary turn-round of the economic system starts to implement it without any second thoughts even at the risk of stoking inflation, increasing unemployment and provoking trade union confrontation. The democratic system in the developed world is not adjusted to absorb sudden changes. Parties which win elections on pledges of a fundamental transformation of the economy proceed slowly for fear of arousing hostility in major sections of the population. Mrs Thatcher's Conservative Party won the election on promises of radical, almost revolutionary, turn-round of the economic system through a shift from taxes on income to taxes on spending "to allow people to keep more of what they earn as incentives to harder work"; by rolling back "the boundaries of the public sector" to encourage the private sector and by reducing the role of the state "in order to enlarge the freedom of choice for the individual". These committments involve the demolition of the major props of the welfare state and egalitarian ideals which had taken root in post-war years under long periods of Labour party governments. Mrs Thatcher's Chancellor of the Exchequer, Sir Geoffrey Howe in his first budget (presented on June 12) not only demolished many of these props but also went further than expected even by the private sector.

He described it as an "Opportunity Budget" designed to give the British people" a greater opportunity than they have had for years to win a higher standard of living for themselves and their country". The Labour opposition has condemned it as a rich man's budget and Mr Callaghan, leader of the defeated Labour Party, has called it "a colossal and reckless gamble with Britain's future". Len Murray, the Trade Union Congress general secretary, sees it as a test tube for the conservative free market theories. Whatever the reaction to the budget and whatever one's own ideological inclinations, the sweep and extent of the changes it sets in motion make it an economic experiment worthy of the closest attention. Its objective is no different from that of governments of the left as Mr Callghan's was—to reverse the steady decline of the UK and to build up prosperity that will raise the standard of living of the people as a whole. The differences between the two are in methods and in the conception of the role of the state in the economic life and social welfare of the people. There have been in recent years remarkable successes achieved by free market economies of South Korea, Taiwan and Singapore though at a heavy social cost. Britain unlike these countries is a genuine democracy where the people's will has to be respected and prevails. The coming months or years (Mrs Thatcher has a solid parliamentary majority to go the full 5-year term) will show whether the new economic direction will achieve the results she expects or acerbate the worker and lower income brackets and generate bitter class hostility.

To understand the philosophy behind the budget, one must go back to the Keynesian doctrine of demand management that prevailed through most of the post-war period in the developed world. Sir Geoffrey blames the British decline not to a shortage of demand but failures on the supply side. Britain's economic troubles, he insists, are largely home-made and cannot be blamed entirely on the international crisis of oil or the dollar and can be tackled only by a change of direction at home. The methods he has chosen are monetarist ("to squeeze inflation out of the system through firm monetary discipline and fiscal policies consistent with it including strict control of public expenditure) and incentives to provide the climate for free enterprise to grow. The UK up to 25 years ago was at the apex of the economic league among the larger countries of Europe and second in the world only to the USA. Her share of the world trade in manufactured goods was equal to the combined trade of France and Germany. Today it is only a third of the combined trade of the two countries. In GNP and per capita income Britain is the third poorest in the EEC—just above Italy and Ireland. Her per capita income is 4,180 US dollars compared with West Germany's 7,510, France's 6,730, Belgium's 7,020, Netherland's 6,650 and Denmark's 7,690 (figures from 1978 World Bank Atlas). In the biggest of these countries, Germany and France direct taxes are much lower than in the UK and indirect taxes much higher and the budget indicates that it has followed this taxation prescription.

the keystone

The "keystone" of the budget is the strengthening of incentives by cutting income tax at all level. Starting at the top level, it has brought it down from 83 per cent to 60 per cent on earned incomes which at a stroke sharply increases the income of all earning £25,000 and above a year, in some cases doubling or trebling their retained income. The top investment income, now taxed at 98 per cent is similarly reduced. The number of surtax payers on earned incomes, will as a result dwindle from 1,200,000 to 650,000 and those paying investment income surcharges from 850,000 to 300,000. The new 60 per cent top rate is the European average,

For the lower incomes the tax thresholds have been raised by amounts double those which the Labour government had proposed and the basic rate of income tax has been cut by 3 per cent to 30 per cent. The effect of this is to take out 1,300,000 people from paying tax. The cost of these cuts will be £4,540 million in a full year.

The way in which this cost will be covered fulfils the twin conservative objectives of reducing the role of the state in the economy as well as shifting taxes on income to taxes on spending (incidentally, the income-tax cuts are the first step and further acts are promised in the coming years.) The state spending is to be reduced by £4,000 million and indirect taxes increased by £4,170 million through raising the Value Added Tax (VAT) from 8 per cent to 15 per cent. The budget arithmetic indicates the dimension of the proposed change in direction. The money released into the system through tax cuts is only half the money to be taken out. The breakdown of the figures are even more revealing.

the VAT net

The VAT applies to all goods except food items, including meat, milk, butter etc, to gas, electricity, public transport, medicines and children's clothes. But this does not mean that their prices will not rise as the 7 per cent increase in VAT on materials, machinery, energy and services will work into the exempted items. The VAT catches a very large number of items which in British society are essentials rather than luxuries—electric and domestic appliances, furniture, linen, clothing and shoes, cars and petrol both of which have gone up by 7 to 12-13 per cent, entertainment including the tickets to watch the national games of football, sweets including chocolates and biscuits, tobacco, beer, alcoholic drinks etc. Inflation is officially estimated to go up from the present 10.3 per cent to 17½ per cent this year, but economists say a more realistic figure is 20 per cent. So that most of the cuts in taxes of the lower income brackets will go to pay the rise in VAT leaving, according to Sir Geoffrey to an average houschold only £1.30 a week extra. Even this modest "incentive" is unlikely to be realised not counting the cost of other consequences such as a sharp increase in unemployment, according to the unions.

The loss of jobs will come from the £4,000 million cut in public spending in local and central government, in public works, education, land management and health services, in the latter of which the prescription charges have been increased by 125 per cent. New recruitment in the civil service has been frozen and local councils have been asked to cut their expenditure which can only be done by reducing or closing down services.

The budget has taken giant steps to reduce the role of the state in the economy. The Prices Commission, the Labour government's watch dog on prices, is being wound up and market forces will now regulate prices; dividend controls will lapse from July 31. The capital gains tax, the level of which was described by Sir Geoffrey as "savage", is to be reviewed and the capital transfer tax (death duty) gets a two year relief and is also to be reviewed. Cuts in land development tax, greater stock relief and advance corporation tax have been made. The corporation tax for big companies has not been changed for the time being, but small businesses get some relief. Thousands of shops and businesses started by Indians from East Africa will be among others to benefit,

The easing of exchange controls is another budget step to reduce the role of the state. The budget has raised the annnal limit of remittances abroad to £10,000 per donor—a concession applicable to the Indian residents here. Emigrants from Britain (including naturalised British citizens of Indian origin) can take out up to £20,000 from Britain, while resident families will be allowed £100,000 each year to buy property abroad.

overseas investment

The biggest exchange concession is the boost the Chancellor has given to the overseas investment by making £5 million per project freely available to each UK firm per year to invest abroad. The two-thirds rule which restricts the reinvestment of profits made abroad has also been abolished and the restriction in the use of sterling to finance third country trade has been lifted. These measures could encourage greater British investment in India, particularly as we are, in the opinion of the Aid-India Consortium reaching the take-off stage, an assessment backed by the sharp increase in the Consortium aid to India.

Although the threat of confrontation looms in the near future (a number of big unions have already warned of industrial action if the public spending cuts are not reduced), the Thatcher government seems determined to go ahead. Sir Geoffrey has frankly acknowledged that his budget is "painful" medicine. Apart from big rises in inflation and unemployment, the minimum lending rate has gone up to 14 per cent and one per cent drop in production is expected.

But they are confident that these setbacks will be in the short term during which inflation will be squeezed out, industries will become more efficient, exports more competitive and the work-force from management downwards will work harder and produce more wealth for the country as a whole. From the present indication, Mrs Thatcher's road to the capitalist Utopia is paved with pitfalls, the most dangerous of which is the opposition of the unions and the lower income groups who will have to bear the brunt of the budget burdens. But her government's attempt will rivet the attention of the democratic world.

Vizag steel comes off the shelf

Sagittarius

It took eight years to turn the first clod in the Vizag steel plant after it was approved. The author stresses the urgency of setting up steel plants over which the government has been dithering over the years. He says within the next one or two years the country will be suffering loss equivalent to the cost of a major steel plant in the absence of the steel making facility which had been planned earlier.

MORE THAN eight years after the foundation stone was laid for the Visakhapatnam steel plant, the project appears to take off the ground and the first stage of 1.2 million tonnes of capacity is slated to be completed in 1984. There was no justification at any stage for vacillation over the location of a deep water site steel plant at Visakhapatam and an ore based integrated plant at Vijayanagar. Somehow steel planning has suffered on account of prejudices and inability to adopt a perspective approach. The periodic swings in demand for steel led to a sense of complacency and it was thought that the needs of the nation could be met with continuous expansion of capacity of the Bhilai and Bokaro projects. There was no disposition to create new capacity outside the steel berths and the emphasis is always on the construction of mammoth units. While economics of scale is considered necessary for reducing unit cost of production and modern technological processes also have to be adopted, the latest thinking is against the concentration of capacity in any single region.

wrong priorities

Even two years ago it was not considered imperative to start an entirely new plant in a different region and the minister for Steel, Mr Biju Patnaik, was harping all the time on the promotion of coast based unit at Paradip, Visakhapatnam and Mangalore. What is the need for a new plant at Paradip is hard to see?. As for Visakhapatnam, the original idea was to locate a blast furnace for exporting pig iron to the Soviet Union with a view to taking up steel making in the subsequent stages. The technical know-how and financial assistance were all the time to be provided by it, giving that country the privilege of promoting a third steel plant in India.

changed picture

The picture has completely changed in the past two years. Against a glut of over one million tonnes, there is a shortfall in availability of two million tonnes even with the mini-steel plants stepping up their output by over 600,000 tonnes. The slippage in the schedule of construction of Vizag project by at least five years is proving to be costly as the outlay on the plant has increased by more than 50 per cent and foreign exchange expenditure on exports for overcoming domestic shortage, will be easily an additional Rs 1000 crores in four years. These lapses clearly bring home the need for continuous planning for creation of new capacity and dispersed location. The initial phase of 1.2 million tonne capacity of the Vizag project is estimated to cost Rs 1000 crores and the blast furnace will be the biggest in the country with coke ovens too being of a new design and with greater capacity. This phase is scheduled to be completed by 1984.

With the iron ore mines fully developed at Bailadilla and easy access through well developed railway line, the required supplies of ore can be assured. The absorption of part of production of Bailadilla will also ensure the economics of working of mines in this area and minimise the adverse effects of the fluctuations in the quantum of exports to Japan through the Vizag port.

The second stage of the project will take up the capacity to 3.2 million tonnes and the total cost is estimated at Rs 2,256 crores. It may well rise to Rs 2,500 crores if not more with soaring capital cost and delays in construction schedules. As the Vizag will not have the handicap of Bokaro or Bhilai which compelled the creation of infrastructure facility from scratch, there should be a time bound programme for minimising the losses now being suffered on avoidable imports and delays in implementation. The pattern of production is being suitably conceived and for the first time in the country 800,000 tonnes of parallel and wide flange beams will be produced besides 700,00 tonnes of light and medium merchant products, 600,000 tonnes of wire rods and 160,000 lakh tonnes of billets. Some quantities of coking coal may be imported though supplies from internal sources can be secured through two connecting rai routes. The requirements of water can be secured from Mehardrigedda reservoi which is already in operation, but it is important that the Yelluru Scheme should be implemented as supply from Godavar should be assured for an area which is becoming highly important industrially. The foreign exchange component is estimated at Rs 500 crores.

The Vizag complex has already grown impressively and severe strains are being felt in respect of water, electricity and communication facilities because of delays in concurrent creation of capacity with increasing demand. With the proposa to exploit the rich bauxite reserves in the Srikakulam area and the installation of a large integrated aluminium plant ultimately there will have to be systematic development of the region and installation of capacity for power generation if the mistakes in the implementation of earlier project are to be avoided. The state government has a special responsibility in this regard.

Simultaneously with the inauguration of work on Vizag steel plant the finalisation of arrangements for the Vijayanagar steel plant has to be attempted. The arguments against long coal haul and the advantage of Mangalore for importing coal are put forward speciously. Hospet has rich iron ore deposits. Other raw materials like dolomite, limestone and manganese are also available in the same area. There is no reason why the conclusions of the earlier expert team are not valid now. If this project is not taken up within the next one or two years, the country will be suffering loss equivalent to the cost of a major steel plant, as has happened on account of the vacillation over Vizag project. Mangalore too may have to be considered as a suitable centre though compulsions may arise on account of the need to use Kudremukh magnetite ore. While Iran may be prevailed upon to adhere to its commitment, the economics of working of Kudremukh may be affected if there are fitful exports of processed ore to Iran. The technique of reducing magnetite ore with solid fuel has not yet been perfected but a breakthrough can be achieved with determination. In that event Mangalore also will assume new importance.

Monetary obligations in foreign currency and judicial process

S. K. Rai

The author who is a member of the Uttar Pradesh higher judicial service and presently joint secretary and legal advisor in the central ministry of Law, explains how a monetary liability is to be discharged when the obligation is expressed or incurred in terms of the currency other than the currency of the forum in which the dispute is litigated.

In COMMERCIAL law and other fields, interesting questions sometimes arise which do not touch merely the law of contracts but also have a wider appeal. Such questions touch the borderland of conflict of laws, statutory prohibitions and the judicial process—and even the greenfields of jurisprudence.

With increasing international contracts and business dealings, consensual as well as non-consensual transactions have come to acquire an international character and are assuming much greater importance at the present day than could have been the position about, say, 20 years ago.

Civilised society evolved money as a symbol. So long as there is only one symbol operative at a particular place or time, no difficulty arises. When, however, either time or place or both vary, in the sense that different symbols are in use at different times or places, material to the situation, then we have a possibility of choice because the symbols are many, out of which one has to be chosen. To put it differently, that function of the law which consists of selecting one possible solution out of many, becomes very prominent.

One question that falls within this category pertains to the currency in which a decree may be passed. When, under a contract or otherwise, a monetary obligation is incurred, how is it to be discharged where the obligation is expressed or incurred in terms of a currency other than the currency of the forum in which the dispute is litigated? This is the precise question that arises for discussion in this article.

The effect of legal proceedings on the enforcement of foreign money obligations relating to debts and damages, both ex-contractu and ex-delicto, has assumed importance in view of growing foreign trade between countries of the world and drastic fluctuations in exchange conversion rates. The question whether Indian courts (and arbitrators) can give a decree (or award) in a currency other than the Indian currency, therefore, needs examination. If a court passes such a decree, how does the court determine the amount of foreign money obligation due to the Indian claimant?

Indian case law on the subject is scanty. Opinion on this subject, particularly in England where this question seems to have arisen with greater frequency than elsewhere seems to have fluctuated, as will be apparent from the case law to be noticed in due course. At this stage, it is enough to state that judicial opinion on the subject in England seems to have undergone certain stages of development. To begin with, the law, perhaps faithful to its general isolationist stance, adopted a rigid attitude. A judgment, it was held, cannot ordinarily be passed in foreign currency. Second, the obligation undertaken in foreign currency would, for the sake of conversion into the currency of the forum, have to be taken to the date of performance contemplated by the contract. So held the earlier cases for nearly 150 years.

hard reality

More particularly, however, a different view has been propounded in this context. It is said not only that a judgment can be given in foreign currency, but also that the date of conversion is the date on which, *under the judgment*, the obligation is to be performed. In view of the notoriously rapid fluctuations of exchange rates applicable to various currencies, the date of conversion assumes crucial importance. In fact, it is this hard reality—constant fluctuation in rates of exchange—that has induced a change in the judicial attitude.

The decision in *Miliangos* vs. *George Frank* (Textiles) Ltd (1975) 3 W.L.R. (758) is a landmark in the conflict of laws. It is a striking example of judicial activism as it represents a progressive and reforming spirit in the field of international commerce which for many decades had been burdened by poorly reasoned precedents. (*Forasol* v. *O.N.G.C.* (1978) 48 Company Cases 508). It marks the culmination of trail blazing opinion expressed by Lord Denning in the Court of Appeal successively in three cases, sometimes alone in a dissenting voice and at other times with other members of the Court of Appeal (The *Teh Hu* v. *Teh the Owners* (1970) L.R. (1970) Probate 106 (C.A.); *Jugoslavenska Oceanska* V. *Castel Invet. Co Inc* (1973) 3 All, E.R. 498 (C.A.), and *Schorsch* v. *Henin* (1975) I Q.B. 416 (C.A.). Milingaos held that an English court could, in the circumstances of that case, give judgment on foreign currency and that no conversion into sterling was necessary until the time came for enforcing the judgment and that the rate current on the date of enforcement should be applied.

Delhi judgement

The matter could arise in India also. In fact, we have now a learned judgment of Delhi High Court (Forasol's case) discussing the question at length to which reference will be made shortly. Let us first look at the Indian scene as it presents itself apart from the case law. The statute law in India furnishes no specific guidance on the question at issue. There is no provision in the (Indian) Code of Civil Procedure whereby it is mandatory that the decree must be in Indian currency only—payment in foreign currency is in general, prohibited by the Foreign Exchange Regulation Act, 1973 (Sections 9 (1), 15 and 50). Generally, a court will not pass a decree which cannot, in conformity with the legal system and procedure laid down by high courts, be executed. On this principle, one may venture to state that a decree for the recovery of money in terms of foreign exchange would not be passed because it would if executed literally, bring the decree in conflict with the Foreign Exchange Regulation Act, 1973.

Of course, the case where a mere declaratory decree is sought by the plaintiff is different. Also, in exceptional circumstances, a decree could be passed directing the specific delivery of foreign currency. For example, if A snatches from B a purse containing one hundred US dollars, one can conceive that in a suit for the delivery of hundred dollars, the court may give a decree ordering B to deliver one hundred dollars, and the decree may be executed according to its tenor, if those one hundred dollars are intact. The decree would not, however, be a decree for money, but a decree for the delivery of one hundred dollars *in specie*.

no legal bar

There is, in general, no legal bar to expressing obligations relating to foreign trade transactions in a foreign currency.

Section 2(g) of the Foreign Exchange Regulation Act, 1973, gives this definition of foreign currency:

"Foreign currency means any currency other than Indian currency."

But the question that arises is whether the transaction *contemplates* such a decree. This raises certain questions of fundamental importance, namely, the law of contracts, the money of account (substance of the obligation), and the money of payment (mode of procedure) and the rate of exchange. Normally, where foreign money is the subject matter of an obligation, the obligation is discharged by paying that foreign money. No difficulty arises where the parties specifically provide in the contract as to what will be the money of account, the money of payment and the rate of exchange for the conversion of the currency into another. Difficulties, however, arise where the contract is silent on one or more of these aspects.

In some countries, such as Egypt, West Germany, Italy and Switzerland, the law provides the judgment as well as the decree being given in foreign currency. In West Germany, the mode of execution where the judgment does not itself give an option to the judgment-debtor to pay the equivalent amount in the currency of the country of the forum (*moneta fori*) at the rate of exchange prevailing on a particular date presents difficulty. In Egypt, courts have held that the judgment-debtor can pay at the rate of exchange prevailing on the date of payment. In Switzerland, this question is settled by law. In the USA it was provided by law that all proceedings in court relating to the demand of money shall be in dollars.

The US courts have somewhat crystallised the position in certain judgments. In the *Verdi* (1920) 268 Fed (Page 911), it was held that where the breach or wrong is in a *foreign country* and money becomes due in that country, the damages are measured in the currency of that country, and the dollar equivalent will be calculated at the rate of exchange obtaining *on the date of judgment*. Where the breach *occurred in the USA* on account of the non-payment of foreign money due in the USA, the damages recovered in dollars are to be converted at the rate of exchange prevailing on the date of breach or wrong. The principle applied in the latter situation is that the claimant got an option to be paid in dollars on the basis of the US substantive law, which applies to such cases.

English precedent

In England, it was ruled in 1898 (*Manners* v. *Pearson*—1898—1 Ch. 581) that the courts had no jurisdiction to order payment of money concept in the currency of the realm (*moneta fori*). This decision was later confirmed by the House of Lords, (*Volturno*, 1921 2 A.C. 544) in a ruling of 1921 which also settled the point that in matter of damages *ex-delicto*, the "breach date" rule should be adopted on the basis for converting foreign money into pounds sterling. Statute may, however, create an exception to this rule, e.g. the Carriage by Air Act, whereunder the date of judgment is material. (Section 1 (5), Carriage by Air Act, 1932 (UK).

Dicey and Morris (Dicey and Morris, Conflict of Laws (1973), rule 172) state the rule thus: "where English Law is the proper law of the contract, damage for its breach must be calculated in the currency in which the loss was incurred, unless a contrary intention emerges from the contract itself". On that basis, the breach rule was also applied to damages for the breach of contract by the Privy Council in *Ottoman Bank* v. *Chakrian* (1930) A.C. 277 (P.C.). This position held the ground for a long period, until a few years ago when a new concept began to develop.

Truly speaking, these developments started much earlier than 1975. But in that year a few points were authoritatively settled by the House of Lords in *Miliangos* and it will be convenient to deal with that judgment. The judgment of the House of Lords is an epoch-making one. The facts were these: The plaintiff, a Swiss dealer, sold to the defendant, an English company, for delivery in England, cloth worth 415,000 Swiss francs. The Swiss bills of exchange tendered by the defendant in payment were dishonoured and the plaintiff sued in England for the price of Swiss francs of the goods sold. The trial judge ruled that the rule of law that the judment could be only in sterling was still in force. Parliament had not altered it. Nor had the House of Lords altered its decision (*United Railway of Havana* vs. *Regla Ware House* (1961) A.C. 1007 (H.L.) wherein it had held that an English court can give judgment in pound-sterling only.

basic reason

The Court of Appeal, however, reversed the judgment and held that its earlier decision in the Schorsch Meirs case (1975, QB 416) that an English Court could give a judgment in foreign currency was binding on the lower court. Accordingly, it allowed the appeal. On further appeal, the House of Lords confirmed the judgment of the Court of Appeal and held that the old dictum could not be justified now in view of the change which had come over generally in the foreign exchange situation and, in particular, in the position of sterling during the last 15 years. Thus, the *Havana Railway cese* (1961, A.C. 10.07 H.L.) was over-ruled. The basic ground for the change of view was that courts had power to order delivery in specific wherever they found that damages were not an adequate remedy, and certainly damages could not be adequate in the circumstances of today if the breach date rule is applied, when currencies are floating and changes of value occur between the date of breach and date of judment or payment.

In the UK the trend of giving a judgment expressed in foreign currency started with an award given in 1969 by English Arbitrators in US dollars, which was upheld by the Queen's Bench (The Kozara, (1973) 2Ll L.R. 1.). Lord Wilberforce observed in *Miliangos* that if an *award* in foreign currency can be enforced after conversion into a sterling sum and since the award is enforceable as a judgment, it should follow that a *judgment* in foreign currency can also be similarly enforced. In *Halcyon the Great* (1975, 1 Ll. L.R. 518), the proposition that the US currency may be regarded as 'current' within the meaning of English procedural rules was accepted and it was held that the courts can easily adapt their procedure so as to give effect to foreign money claim *in specie*.

changed circumstances

In *Miliangos*, The House of Lords, applying the declaration made by it in 1966, found (by majority judgement of Lord Wilberforce, Lord Cross of Chelsea and Lord Edmund Davis) that rigid adherence to the doctrine of precedent would lead to injustice in the changed social and economic circumstances and would unduly restrict the proper development of law. On this reasoning, the House departed from the rule laid down in the "*Havana Railway case*."

The minority, however, observed that though the declaration made by the House of Lords in 1966 permitted the House of Lords to depart from the previous decision, yet a revolutionary change in the law based on certain factors like economic situation was within the province of parliament, which was the best-fitted organ to weigh such factors. The minority would, therefore, adhere to the *Havana Railway* judgment and found no compelling reason to overrule it. The minority did not apply the maxim "if the reason for a law ceases to be valid, then the law itself should cease" which they called a piece of political vision and not a rule of law. It was also observed that only nine countries in the world permitted the filing of a writ and judgment in a currency other than the currency of the forum, and that in some of the countries the creditors of a foreign money obligation could sue *only by demanding the foreign money* of account. To allow a foreign creditor an option to sue in the UK in sterling or in foreign currency would mean giving him the benefit of fluctuations in the exchange rates either way, i.e. to sue in sterling if the sterling is appreciating, and to sue in foreign currency if the sterling is depreciating. This would bring an undesirable element of monetary speculation in litgation, as o served by Lord Summer in the *Volturn case* (1921) 2 A.C. 544.

The rule is thus observed in Dicey ar Morris, Conflict of Laws (1973), pag 903, 904, rule 173.

"If a sum of money expressed in foreign currency is payable, in Englan it may be paid either in units of the mone of account or in sterling at the rate c exchange at which units of the foreig legal tender can, *on the day when the mone is payable* be bought in London in a r cognised and accessible market; irrespective of any official rate of exchange be ween that currency and sterling."

What exactly is meant by 'date whe money is payable' ?

crucial date

The House of Lords held in *Miliango* that the crucial date should be the date c payment, meaning 'the date when the cour authorises enforcement of the judgemen in sterling'. The test of the date on whic the action was brought has not been accepted. Nor has the date of judgement foun favour. There may elapse considerabl interval of time between the judgemen date and the date of payment. Durin that interval, currency fluctuations migh cause the award or judgement to var appreciably from the sum in foreign currency to which the creditor was entitled The House of Lords, therefore, held tha in order to do complete justice to th parties, it should be the date of payment in the sense mentioned above. The judgement in *Miliangos* is also important, because it takes notice of economic realities

It is also important to note that commercial arbitrators in the city of Londo had, for some time past, freely expresse their awards in the appropriate foreig currency. Lord Wilberforce considered thi development in relation to arbitral award in a foreign currency as of great importance.

Finally, justice required that the creditor should not suffer by reason of th depreciation in sterling between the dat on which the debtor should have met obligations and the date on which the creditor was eventually to obtain judgement.

The following is a comment made b

a Judge of the Commercial Court (Kerr. "Modern Trends in Commercial Law" (1978 January) Vol, 41, No 1, Modern Law Review pages 1,9.)

"Here is a profound change. It is not a trend, but a revolution reversing a practice which had been regarded as immutable. It results directly from the progressive collapse of sterling in recent years. In 1961 in *Re United Railways of Havana* the House of Lords re-affirmed and treated as axiomatic the ancient rule that an English court can only give judgement in sterling. In 1973 this rule was reversed by a four to one majority in *Miliangos v. George Frank* (*Textiles*) *Ltd.* Acting under the practice declaration of 1966, though with certain reservations, the House of Lords decided that judgement could be claimed and given for debts either in the currency of account or in sterling converted at the time of payment."

The majority of their Lordships were not only influenced by the consideration that sterling was "floating" and had lost a great proportion of its value in relation to other currencies, but also by the fact that it had for long been the practice of commercial arbitrators to make awards in the currency of account, and that this had been approved by the Court of Appeal [(Jugoslavenska (1973) 3 ALL ER 498(CA)] If affords an interesting illustration of commercial arbitrators adopting a progressive and realistic practice in advance of the courts. A claimant entitled to compensation of whatever kind will now be compensated in the currency or at the rate of exchange which in all the circumstances will *afford him the most appropriate measure of compensation.*

radical change

A judge of the English commercial court has pointed out that although the effect of this change is confined to international cases, it is difficult to think of a more radical change in our law since *Donoghue v. Stefenson in 1932* (1932 A.C. 562).

Points which were left open by the House of Lords are now being worked out. This trend is greatly to be welcomed now that the courts appear to have thrown off the strait-jacket of sterling. In particular, the decision has been built upon in three ways. First, it had been tentatively indicated in the *Miliangos case* that the right to judgement in a foreign currency should be confined to cases where the proper law and the currency of account are both subject to a foreign system of law. This limitation would have excluded the vast majority of cases litigated and arbitrated in England since the usual reason is that their proper law is English law. This *lacuna* was filled by a unanimous decision of the Court of Appeal (*Federal Commerce and Navigation Co Ltd. v. Tredax Export S.A. 1977*) 2 W.L.R. 122 (Maratha Envoy) in praticular at pp. 133, 134. The decision has since been reversed but not on this point (1977) 3 W.L.R. 126 (1977-2 Lloyds Reports—301) holding that the principle of *Miliangos* applies and the power to give judgement on foreign currency ought not to be limited to contracts 'governed by the law of country other than UK' once it was recognised that judgement could be given in foreign currency. It also held that in contracts where the currency of contract was a foreign currency but the proper law of the contract was English law, the court could and should give judgement in foreign currency.

breach of contract

Second. it has been held (*Kraut A.G. vs. Albany Fabrics Ltd* (1975) 3 W.L.R. 272) that the right to judgement in a foreign currency of account is not limited to claims in debt (as had been tentatively suggested in *Miliangos*), but extends to claims for *damages* for breach of contract.

Third, the court of appeal has held in Despina (*Owners of S S. 'Bloftherotria' v. Owners of S S. Despina R.* (1977) 3 W.L.R. (1977-2 Lloyds Report p. 319) that the entitlement to damages in the appropriate foreign currency applies to claims to tort and that the unsatisfactory rule in the *Volturno* viz. that any conversion is to be made at the date when the loss or damage was suffered is no longer to be followed. The "apropriate currency" can shortly be described as the claimant's currency, i.e. the currency in which he has effectively incurred the loss. The conversion now fails to be made at the date of payment. Assuming that this decision stands (and the same principle had already been applied to claims for interest, (*John Helmsing v. Malta Dry Docks Corporation* (1977) 2 Lloyds Rep. 4, 444), it would seem to follow that the entire "strait-jacket of sterling" has gone.

In *Despina R.* two Greek vessels collided near Shanghai and it was agreed that the defendants' ship Despina R was responsible for the accident to the extent of 80 per cent and as such the defendants were to pay damages for repairs, etc,, to that extent. Expenses on repairs, etc, were incurred in Chinese, Japanese and US currencies. A question arose whether, in an action in tort, the English court could award damages in a currency other than sterling. Following *Miliangos,* the trial court [(1977) 1 Lloyds Report, p 618. (Q.B.) Despina R.) held that in tort also, the court could award the loss in the currency of expenditure or its sterling equivalent *on the date of payment.*

"plaintiff's currency"

The Court of Appeal (*Owners of S.S. 'Bloftherotria' v. Owners of S.S. Despina R,* (1977) 3 W.L.R. (1977)—Lloyds Report p. 319), however, held that the English court could have the 'Plaintiff's currency' solution, i.e. in this case, US dollars or its sterling equivalent, on the date of payment, and when the expenditure and loss were incurred in a currency other than the US dollars, then the sum representing such loss and expenditure should be converted into US dollars *on the date the expenditure was incurred*; as it would reduce the risk of changes in currency values. This would also satisfy the principle that the plaintiff should receive *restitution in integrum.* (An example of *restitution in integrum*).

In the *Folias case* [(1971) 1 L1. 1 Rep. 535 (CA)] the claim was by the charterers against the shipowners for reimbursement of certain payment. The French charterers, having paid to the Brazilian receivers of cargo for damage caused to the cargo due to failure of the refrigeration plant of the ship in Brazilian currency in turn, claimed French francs from the Swedish shipowners. That prayer was allowed by the arbitrators.

The main issue was whether the French charterers could bear the loss arising from depreciation of Brazilian currency in which they had paid the Brazilian receiver, (by converting French francs) between August, 1972, (When the loss was paid) and July

1975, to the Brazilian receiver (when the award was given). In other words, whether the shipowners, should benefit by the delay in getting the charterers claim. The trial court [Folias (1977) 1 Ll.L.R. page 39] set aside the award (which was in French francs) and ruled that the claim could be allowed only in the Brazilian currency in which the loss was suffered by the charterers. The Court of Appeal, however, reversed the judgement and ruled that [Folias (1978) 1 Ll. 1 rep. 535 (CA)] damages should be awarded in the *currency which most truly expressed the loss*—in this case it was French francs. The charterers were entitled to get the loss from the shipowners. The judgement of the Court of Appeal is supportable from another angle, namely, that the charterers were claiming from the shipowners *reimbursement of* their loss which they had to suffer as a result of the failure of the refrigeration machinery of the ship. Therefore, when they paid the receivers of cargo *by using their French francs*, they were entitled to be compensated and restored to their original position (Another example of *restitution in integrum.*)

English case law

It may be convenient to summarise at this stage the position under case law in England.

The awards and judgement could be expressed only in the pound sterling, and as such, the foreign money obligation was to be converted into sterling on the date of breach. This did not make much difference at all when the pound was firm and stable.

The sterling, however, is no longer stable inasmuch as other currencies such as the US dollars, French francs, etc., are also not stable. They will swing with every gust of wind. With the change of law in the *Miliangos case*, the arbitrators and the courts can give awards and judgments in foreign currency so as to give the injured plaintiff relief to fairly compensate him.

In the case of simple debts, e.g,, debts for the hire of ship or price of goods sold and delivered, where the *contract stipulates the currency in which* debt is to be paid, the award will be the award for amount due in the currency of the contract [(a) The Kozara (1973) 2 Ll. L.R.1 (b) *Schorsch Meir v. Henin*, (1975) 1 Ll. L. R. page 1]. Thus, even if the currency may have diminished by inflation, the named sum must be awarded.

(a) In cases where the plaintiff incurs an expenditure or suffers a loss in sterling as a consequence of breach of contract on the part of the defendant, whether in contract or in tort, he is entitled to be compensated for the actual expenditure or loss in sterling and he gets the named sum irrespective of the fluctuation.

(b) If such expenditure was incurred in a foreign currency, then formerly there was difficulty, as the judgments and awards had to be made in sterling. Question arose of the appropriate conversion date—whether it should be the date of expenditure (breach date) or the date of judgement (if payment was also involved). It is now decided that the judgement should be in the currency most appropriate in the circumstances of the case, i.e, the currency which most truly represents the loss suffered by the plaintiff.

Take, for example, the facts in the *Volturnos* where the loss was suffered in the Italian lira and US dollars. The House of Lords held that for giving judgment in sterling, conversion was to be made on the date of loss. If this case were to be decided now, the English court would compensate the Italian owner in the Italian Lira for the loss of hire and also the cost of repairs to the extent of the lira used in converting into dollars, with interest from the date hire money was lost and money paid.

In the *Teh Hu* [(1969) 2 Lloyd's Report 365)], the salvage claims were awarded in pound sterling. Now the claim can be awarded in the currency which is fair and just in the circumstances of the case.

question of damages

We come to the question of damages for breach of contract. If the loss incurred as a result of breach was payable in the currency of contract, then the award should be made in that currency [*Federal Commerce and Navigation Co v. Tradax Export* (*1977*) 1 Ll. L.R. 217]. But if it is incurred in a foreign currency, then it should be paid in that currency which represents the loss, as is done in case of tort.

In Di Ferninando v. Simon Smiths & *Co.*, an Italian buyer sued in contract for the price of cargo which was agreed to be sold to him in England for £1555 but was not delivered on the due date of February 2, 1919. The judgement was given on March 30, 1920. By that time the lira had been reduced to half its value in exchange to the sterling. In view of the devaluation of the lira and consequent increase in the value of the pound, the English firm wanted to pay £750, instead of the stipulated amount—£1555. The court, however, passed a decree for £1555. The same result would be reached even now, though for different reasons, i.e. the Italian buyer who has spent £1555 needs that amount for buying his lost goods.

In short, the nature of the claim seems now to be not very material. The judgement should be given in the currency which most truly expresses the loss and most nearly affords compensation.

Indian law

It is now time to turn to Indian case law. As already stated, statutory provisions in India are not very specific. Recently, the Delhi High Court [Forasol v. ONGC (197 P) Co. CASR p. 508] on the execution side had to decide a case in which a question arose as to what was the crucial date for conversion into the Indian rupees of an amount in foreign currency awarded by an umpire. The arbitration was to be held in India. As the two arbitrators allowed their time to expire, a retired judge of the Supreme Court of India entered upon the reference on March 18, 1972, as umpire and gave his award on December 21, 1975. The award was for French francs 21,65,935.71 in favour of Forasol, a French contractor, and Rs 10,10,380.39 in favour of the Oil and Natural Gas Commission. It was made a rule of the court on May 7, 1975. Clause IX of the contract provided that out of the operational fee, stand by fee and equipment charges, 80 per cent was payable in French francs and 20 per cent in Indian rupees, using a fixed conversion rate of French francs 1.003 = Re. 1. Thus, the money of account and money of payment for 80 per cent of the amount was foreign money.

In giving the award in French francs

(as mentioned above), the umpire was impressed by the argument of Forasol for change of exchange rate due to the devaluation of the Indian rupees in 1966, and so he allowed the conversion rate of FF=1.5178 instead of the agreed rate of FF=1,033=Re 1. M/s Forasol alternatively claimed that the exchange rate of 1 FF=Re 1.938 prevailing on the date of decree (May 7, 1975) should be applied to convert the Indian rupees into francs, but this argument was not accepted. It is not proposed to go into the merits of the decision in so far as it changed the agreed rate of exchange (a matter which is outside the scope of this article), but it appears from this judgment that the arbitrators in India have started giving awards in foreign currency and that the Indian court has passed a decree in terms thereof.

important issue

What is equally important is that the court, after a discussion of the leading English cases and the juristic position, held that the part of the decree which was expressed in terms of the French francs had to be converted into the rate of exchange prevailing on May 7, 1975 (date of the decree of court), and not any earlier date such as the date of breach or date of award.

Reverting to the English Law judgement of the House of Lords in *Miliangos* supplies rich material not only on the narrow question of judicial verdicts and arbitral awards in foreign currency, but also on certain wide juristic principles. Not only is there an interesting discussion of the legal maxim "cessante ratione cessat ipsa lex apud senatum" and of the doctrine of precedent, but also of the function of the courts as reformers of the law. Those who have an interest in law reform will find exciting material in the dissenting speech of Lord Simon of Glaisdale, who emphasised the aspect that the resolution of the issue under consideration "demands a far greater range of advice and far more generally based knowledge than is available to a court of law..."

This part of the speech ends with the words: "The law is too serious a matter to be left exclusively to judges."

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Indonesia	Rupiah 14,000
Iran	I. Rial 2,200
Italy	Lira 40,000
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MOVING FINGER

A diplomat is supposed to lie for the sake of his country. A politician lies mostly for himself. Some politicians lie more often and more colourfully than others. Mr George Fernandes is one of them. He utters white lies, grey lies and black lies. His lies come in all colours and in every shade of each colour. Speaking in Tiruchirapalli on June 11, he said, as reported by UNI, that the order granting bonus to railwaymen would be issued within two weeks. The suggestion clearly was that, at the time he spoke these words, the government had already taken a decision granting bonus to railwaymen and that it only remained for this decision to be formally announced. But, as is so often the case when people set out to deceive, he contradicted himself in the very same speech when he declared that "if the Janata government fails to fulfil the demand of railwaymen, there will not be a close relationship between me and my colleagues". Now if this statement means anything at all it is that the government is yet to decide the issue of bonus to railwaymen and that Mr Fernandes himself believes that there is an "if" to it. How does he propose to reconcile these two statements?

On June 13, evidently irked by the dogmatic assertions of Mr Fernandes on the issue of bonus to railwaymen, which were so obviously intended to queer the pitch for the cabinet, Mr Charan Singh presumably arranged for his letter to the prime minister being "leaked" to the press in a UNI report. In this letter, which he had sent on May 30, Mr Charan Singh had opposed in the strongest possible terms the payment of bonus to railwaymen.

Subsequently, on June 14, when he was asked by journalists in Calcutta what his reaction was to Mr Charan Singh's letter to the prime minister, Mr Fernandes said that the points raised by the deputy prime minister (Finance) "would be discussed". In other words Mr Fernandes had admitted that his assertion that the issue had been disposed of by the cabinet by taking a decision in favour of the payment of bonus was not warranted by the facts. As a matter of fact, on June 14, he was singing a tune rather different from what he had sung three days earlier. He said, again according to UNI report, that he expected a favourable settlement on the payment of bonus by the end of the month and that the matter would again be discussed by the cabinet. Middle-class virtues such as accuracy or precision are probably regarded as pedestrian and expendable by this professor and practitioner of working-class radicalism.

The Janata party disciplinary committee has voted to remove Mr Raj Narain from the party's executive for a period of one year as a punishment for his indicipline. The acts of indiscipline Mr Raj Narain has been charged with are related to discipline within the party. Mr Fernandes has been committing gross acts of indiscipline within the government. Unfortunately there is no sub-committee of the cabinet to take care of problems of discipline and the prime minister, placed as he is, is probably not in a position to act on his own. Our only hope therefore must be that, given a long enough rope, Mr Fernandes is sure to hang himself one day.

I cannot fault Mr L. K. Advani on his reasoning that the government cannot legislate for the independence of All India Radio and TV but only for their functional autonomy. I agree with him that this is the only practical approach open to the government. Where he has gone wrong of course was in wasting the tax-payer's money and governmen time on the appointment of the Verghese committee. When this committee was set up, I wrote in these columns that this was entirely unnecessary and that the Chanda committee report had already provided the government with a basic document for formulating its decisions and processing them into legislation. It is no use complaining now as Mr Advani does that the Verghese committee had exceeded its brief. Given its personnel, especially its chairman, it could not have done anything else. Moreover, with the dawn of Janata rule far too many among us were so palpably itching to write history if not to create a brave new world.

The "go-slow" at the offices of the Reserve Bank has been a festering sore for many weeks now. Because the Reserve Bank is a banker's bank and the go-slow does not impinge on the daily life of a large number of people in a direct way, it is only now that it is being noticed seriously in the press. The harm done to the citizens, one way or the other, however, has not been inconsiderable. For one thing cheques deposited with the Reserve Bank for year-end tax payments are just piling up at its counters and are not being cleared. As a result assessees are not able to attach the counterfoils of the challan to their "returns".

In my own case, having to enter hospital this week and wanting to settle, among other things, my debts to the government, I paid my income-tax dues by cheque on May 31 but I am told that there is no knowing when the counterfoils of the challan will be ready for delivery. So I have filed the return with a covering letter of explanation and I do hope that the income-tax authorities, for their part, will not later claim penalty. Nobody surely could seriously dispute Mr Charan Singh's observation that government employees or staff of government or semi-government establishments are becoming lost to all sense of discipline or responsibility.

VB

TRADE WINDS

Excise Exemption for Mini Cement Units

THE GOVERNMENT has exempted, cement manufactured in a mini cement plants from the excise duty in excess of 50 per cent of the effective rate. The effective rate of duty is Rs 65 per metric tonne, says an official release. This exemption is effective from May 30 and will not be available to mini cement plants which are operated by large cement plants either as a separate plant or as a part of the main plant.

Government Loans

The central government has announced the issue of the three government of India loans aggregating Rs 600 crores: (i). Six per cent Loan, 1987 to be issued at Rs. 100.00 per cent and repayable at par on July 2, 1987, (ii) Six and half per cent Loan, 1997 to be issued at Rs. 100.00 per cent and repayable at par on July 2, 1997. (iii) 7 per cent Loan, 2009 (Second issue) to be issued at Rs. 100.00 per cent and repayable at par on May 25, 2009. Subscription to these loans will be received in the form of cash/cheque or securities of 4 per cent Loan, 1979, four and three quarters per cent Loan, 1979 and 5 per cent Loan 1979.

Subscriptions will be received from July 2 to July 4, 1979 (both days inclusive) but the subscription list may be closed earlier without notice as soon as the total subscription amounts to Rs. 600 crores. The government reserves the right to retain subscription upto ten per cent in excess of the notified amount. If the total subscriptions received for the loans exceed the notified figure plus the amount of ten per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received and the balance refunded in cash as soon as possible. In the case of 7 per cent Loan 2009 (Second Issue) interest fot the period July 2, to November 24, 1979 (inclusive) will be paid on November 25, 1979 and thereafter interest will be paid half-yearly on May 25 and November 25. Interest on 6 per cent Loan 1987 and six and half per cent Loan, 1997 will be paid half-yearly on January 2 and July 2.

Conversion Terms

Interest on the securities of 4 per cent Loan 1979 tendered for conversion will be paid at the rate of four per cent per annum upto and inclusive of June 30, 1979. In addition anticipatory interest also will be paid according to the rate of interest of new loan applied for i.e. six per cent or six and half per cent or seven per cent per annum as the case may be for one day i.e. July 1, 1979 at the time of issue of the new securities. Interest at the rate of four and three quarters per cent per annum on four and three quarters per cent Loan 1979 and at five per cent per annum on 5 per cent Loan 1979 upto and inclusive of July 1, 1979 on the securities tendered for conversion will be paid at the time of issue of the new securities. Interest on all the loans now issued together with interest on other previous government securities and income from other approved investments will be exempt from income tax subject to a limit of Rs. 3,000 per annum and subject to other provisions of Section 80L Income Tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in government securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the Wealth Tax upto Rs. 150,000.

Exchange for Exports

The Reserve Bank has introduced a number of new facilities to give a fillip to the country's export efforts. It has instructed all commercial banks to allow ready remittances upto $ 50 for obtaining market intelligence reports from abroad. The limit of remittance on this count is to be raised further, it is reported. Rules and procedures for sending trade samples have also been simplified. Under the revised regulations, trade samples within the value of commission payable to overseas buyers can be sent readily. Exporters point out that supplying trade samples is essential if the claims of Indian products overseas are to be established.

The RBI has also introduced covers for exchange rate fluctuations, in the US dollar. Till now, exchange rate fluctuations were not covered and the individual exporter had to bear the brunt which often tended to make or mar his fortunes. For the smaller exporters, especially, violent fluctuations in the exchange rates—when adverse—had a killing effect. Besides, it was also difficult to make firm contracts when the rates, were unsteady.

Rupee-Pound Sterling Rate

The rupee stands devalued by 1.17 per cent in terms of the pound sterling following a revision of the purchase and sale price of the pound for spot delivery announced by the Reserve Bank on June 15.

The new rates are: Buying £ 5.8651 per Rs 100 (corresponding to Rs. 17.05 per £ and selling: £ 5.8039 per Rs. 100 (corresponding to Rs 17.15 per £). The spot buying and selling rates have been so fixed as to give a middle rate of 17.10 per pound, as against the earlier middle rate of Rs 16.90. The Reserve Bank will continue to by forward stering for delivery upto nine months on a monthly-option basis at a discount of £ 0.3060 per Rs 100 per month on the spot buying rate.

Safety Award for Gorakhpur Fertiliser

Two awards of merit have been received by the Gorakopur Fertiliser factory from the National Safety Council of America. One of the awards is for the operation of 12,70,825 employee hours without an occupational injury or illness involving days away from work or death during the period December 12, 1978 to March 3, 1979. The other is for operation of 18,69,622 employee-hours with similar result from August 1978 to December 1978. The factory has to its credit two awards of honour and 5 awards of merit from the same organisation in the past. In addition, this fertiliser unit has also the honour of earning the national safety awards from the National Safety Council of India during 1971, 1972 and 1973 for highest percentage of reduction in frequency rate of accidents. Three special commendation certificates from National Safety Council of India were conferred in recognition of good safety record during 1974.

Plate Mill at Bhilai

A plate mill complex is being installed at Bhilai steel plant, as part of the plant's four million tonne expansion, at an estimated capital cost of Rs 500 crores. The complex has an annual capacity of 1.2 million tonnes of plate covering a wide range in thickness, length and width. These plates would meet the requirements of Defence, shipbuiding petrochemical, fertilizer plants and other core, heavy industries for which heavy plates were now being imported at high costs.

Ossein for Export

The first entirely export-oriented ossein manufacturing project in Kerala, set up at Cochin in the joint sector by the Kerala State Industrial Devolopment Corporation and two Japanese concerns, namely the Mitsubishi Corporation and the Nitta Gelatine Company, went into production on June 8, Having a capacity to produce 2,210 tonnes of ossein and 4,250 tonnes of di-calcium phosphate (DCP) per annum, it is expected to produce in the first year of its operations 1,100 tonnes of ossein and 2,200 tonnes of DCP. The rated capacity is likely to be achieved in the second year. The export of the first year's output of ossein will bring in foreign exchange worth nearly one crore of rupees. This earning will go upto two crores of rupees when the project goes into full production. The DPC output will be consumed locally as fertiliser or as an ingredient in poultry feed and pharmaceuticals. Ossein is primarily used in the manufacture of photographic film, pharmaceuticals and in food products. The basic raw materials, namely, crushed bones, hydrochloric acid and lime, are all available indigenously. So no imports have to be effected.

The two Japanese concerns have contributed 26 per cent of the equity of the venture—Mitsubishi 10 per cent and Nitta Gelatine 16 per cent. The Kerala State Industrial Development Corporation has also 26 per cent share. The remainder 48 per cent equity has been subscribed by Indian banks and other Indian interests, including the general public. Besides, the funds for executing the project had been made available by the IDBI, the ICICI and the IFCI. The project cost is Rs. 3.2 crores. It has been set up in line with the government of India's policy of restraining the exports of raw materials and encouraging those of value added items.

Escalation Clause

The export commitment is for the first five years of the commercial operations of the venture. Provision has been made in the agreement with Mitsubishi, which will take up the ossein output for marketing in Japan, for price increases during this period through mutual discussion on the basis of the cost structure and international prices. The export obligation will be reviewed at the expiry of five years in the light of the local demand, which at present is very limited and is being met by the other two units in the line at Baroda and Moradabad.

Remittances Abroad

Interest on loans—both official and private—forms the single largest item of outward remittance from India and constituted over 65 per cent of the total outward flow in 1976-77, according to a recent study by the Finance ministry. The study says in 1976-77, the latest year for which details of remittance are available, the total foreign remittance came to Rs. 343.6 crores, of which interest alone came to Rs. 228.3 crores. Remittances made on account of dividend, profits, technical fees and royalty came to Rs. 115.3 crores. Out of the interest payments, Rs 193.6 crores (or 59 per cent of the total outflow) were due to official loans by the private sector.

The study which covers the two decades from 1956-57 to 1976-77, shows a marked change in the composition of the outward remittances. While in the first few years, profits and dividends of foreign companies formed the bulk of remittances, the situation changed since 1961-62. Since then interest payments, mainly on official loans, constituted the bulk of foreign remittances, For example, in 1956-57, the interest component of the total outward remittance of Rs 34.4 crores was only Rs 6.7 crores, while remainder was made up of profits and dividend. However in 1961-62, out of the total remittances of Rs 83.6 crores, interest alone came to Rs 50.3 crores. The trend had since been continuing. The maximum remittances on interest account was Rs 218.8 crores as against total remittances of Rs 314.0 crores.

The outflow on account of profits, dividend, technical know-how and royalities had also been steadily increasing over the two decades. While the outflow from profits showed ups and downs during the period payments on account of dividend, technical fees and royality were steadily going up. Remittances from profits were Rs. 19.4 crores in 1956-57, Rs. 21.4 crores in 1966-67, Rs 7.2 crores in 1974-75 and Rs 13.1 crores in 1976-77. Remittance from dividend were Rs 48.5 crores, technical fees Rs 37.8 crores and royalty Rs 215.9 crores in 1976-77.

Assistance from Britain

British aid to India during 1978-78 amounted to £ 135 million (about Rs. 230 crores). The aid was in the form of grants. This included a £ 7 million (Rs 12 crores) contribution to the Agricultural Refinance and Development corporation—the first tranche of the £ 565 million (Rs. 970 crores) to be made available in addition to the usual aid programme, to relieve India of its past debt burden to the United Kingdom, according to a BIS release.

Know-how for Seychelles

Seychelles is keen on acquiring India's expertise in small-scale industries, the minister of for External Affairs, Mr Samarendra Kundu stated recently.

Mr Kundu, who has returned from a visit to that country said, the Seychelles president, Mr Albert Rene had expressed gratitude for the Indian assistance and affirmed his government's desire to further strengthen bilaterial cooperation. Mr Rene, who is expected to visit India sometime later had welcomed the deputation of an Indian experts in small-scale industries to Seychells. He also indicated Seychells' interest in utlising Indian technology for exploitation of the coconut palm.

Rural Electrification

The Egyptian president, Mr Anwar Sadat, recently discussed with the visiting Energy Minister, Mr. P. Ramachandran cooperation in economic and technical fields including energy resources, when the minister called on him in Alexandria. Mr Ramachandran's meeting with Mr Sadat formed part of his week-long visit to Egypt during which he held discussion with his Egyptian counterpart on extending bilateral cooperation in the field of energy. A protocol was signed between the two countries which provides for India's assistance in rural electrification of Egypt.

Progress of Project Exports

An overseas project development committee will be set up in the ministry of Commerce and Civil Supplies to monitor progress in the field of project exports. The committee, to be headed by the additional secretary in the department of Commerce, will have representatives from all the concerned ministries and organisations. It will monitor the progress of project exports from the stage of issue of tenders to completion of contracts in respect of projects costing more than Rs one crore. This will include post-tender negotiations and post-award monitoring also. This was announced recently by the Commerce minister, Mr Mohan Dharia, while inaugurating a workshop jointly organised by the Overseas Construction Council and the Industrial Development Bank of India. Mr Dharia said in case of contracts exceeding Rs 10 crores in value, the committee would undertake pre-tender monitoring. It would evaluate both successful and unsuccessful contracts with a view to suggesting measures for improving competitive strength and efficiency of performance for the future. The committee would also be empowered to take other necessary measures for contracting project exports, such as devising measures for screening civil construction firms and improving the tender information system.

Mishra Panel

The Mishra Commission on Government Expenditure will hold a session in New Delhi from June 27 to 30, 1979. In the four-day session, the commission will have discussions with high government functionaries like the Deputy Chairman of the Planning Commission, Comptroller & Auditor-General of India, Cabinet Secretary, Secretaries in the ministry of Finance, etc. The commission was appointed by the central government to identify areas where economy could be achieved and inefficiency and wastage of government expenditure prevented.

The commission has already been receiving a large number of suggestions from the members of the public. These suggestions will also be taken into account by the commission. Requests have also been received from the public asking for the terms of reference of the commission. The six-member commission which was appointed by the government of India on May 29, 1979, has been asked to submit its final report within a year.

The following are the terms of reference of the commission: (a) Identify areas in which economy can be effected without impairing efficiency or adversely affecting growth; (b) Identify activities which are not essential or where there is over-lapping of functions between various departments of the government of India or between activities of the central government and those of the state governments and suggest measures for phasing out or rationalising such activities; (c) Review the present arrangements for creation of posts and staffing and suggest measures for containing expenditure on staff within reasonable limits; (d) Review the existing arrangements for planning, execution, montoring and evaluation of major projects and programmes and make suitable recommendations so that, without detracting from accountability, the decision-making process is expedited, cost escalations and delays are avoided and optimum benefit is derived from the expenditure incurred; and (e) Review present arrangements for sanctioning and controlling expenditure and suggest how these arrangements can be improved to make financial control more effective and at the same time implementation of projects speedier.

Concrete Sleepers

Indian railways will be able to save Rs 2.6 crores annually when they start using the improved pre-stressed concrete sleepers designed by the Indian Institute of Technology, Madras, in collaboration with the Research, Design and Standards Organisation, Lucknow. The railways have already decided to go in for concrete sleepers phasing out the wooden sleepers which are being imported from Australia.

Australian salwood costs Rs 140 a piece and its life is limited to 10 years, whereas a concrete sleeper costing Rs 60 will last 50 years. The concrete sleeper, which was first introduced in 1970, comprises two concrete blocks with a conneting angle. Later, the RDSO made some improvements and designed a monoblock sleeper. According to railway sources, monoblock sleeper which had greater weight and shock resistance would ensure greater speed and smooth journey.

The railways have undertaken programme to replace million wooden sleepers annually. It would take 40 years to replace the existing wooden sleepers with the concrete sleepers on all trunk routes.

Duty on Round Mesh Mosquito Net

By a notification issued recently, the government has set out the method of computing the average count of yarn used in round mesh mosquito netting. for applying a reduced rate of central excise duty. As against the toraff rate of 20 per cent ad valorem, lower rates of duty depending on the average count of yarn used are applicable to cotton fabrics. Round mesh mosquito netting, a large production of which is used by the defence services, could not get the benefit of the lower rate of duty because of a difficulty in computing the "average count of yarn" for the purpose of the exemption. The notification contains a formula for computing the average count, so that the technical difficulty is got over and round mesh mosquito netting can also get the benefit of the cencessional rate of duty.

Processed Scrap Under IDR Act

Industrial undertakings already engaged in the processing of scrap and ship-breaking, which do not already have industrial licences, are required to obtain carrying-on-business licences within a period of six months. In a press note, the department of Industrial Development, ministry of Industry, had advise dinterested parties to apply to the Secretariat for Industrial Approvals, department of Industrial Development in the prescribed form for this purpose. Ferrous melting scrap is the basic input material for steel making by the electric arc furnace units. Before the scrap is recycled in the furnace, it undergoes processing. The mechanical processing lends to alterations in size, shape and physical composition of the scrap. The processed scrap, so obtained has advantages like easier transportation, handling and use in electric arc furnace etc. Scrap processing is not organised on sound lines in the country at present. Ferrous processed scrap, inclusive of what is obtained through ship-breaking. is covered under item I.A (I) of the first schedule to the Industries (Development and Regulation) Act, 1951.

K. K. Ray Committee Term Extended

The term of the K.K. Ray Committee on Simplification of Forms and Rules framed under the Companies Act, 1956 has been extended for a further period of two months from July 1, 1979 to August 31, 1979 in order to enable the committee to submit its report by that time. The committee is to suggest changes that should be made in order to make these forms and rules simpler and effective for proper administration of the Compaines Act. The committee appointed in February, this year, was to submit its report by the end of June, 1979. The four member committee including the chairman consists of Mr. K.K. Ray, retired secretary, department of Company Affairs and ex-chairman of Company Law Board as chairman; Mr A. Neelakantan, joint secretary and member of Company Law Board, Mr V. Rajaraman, chartered accountant ,Thakur Vaidyanatha Iyer & Company, and Mr P. R. Mukhopadhaya, secretary, Indian Duplicators Limited as members. Mr. A.M. Chakraborty, joint director (legal), department of Company Affairs, is secretary to the committee.

Production of Tractors

Production of agricultural tractors in the country touched an all-time record of 54,660 units in 1978-79. This was an increase of 33 per cent over the production in 1977-78. The ministry of Industry recently reviewed the position of the tractor manufacturing units in order to implement measures for further increasing indignous production. This has been necessitated by the increasing demand for tractors and the need for augmenting facilities for after-sale service and repairs for farmers in rural areas.

It has been estimated that production of tractors would reach a level of 65,000 during he year 1979-80 and special measures are being taken to provide essential inputs to the tractor manufacturing industry. After-sale service would also be augmented. Major tractor manufacturing units have agreed that this guarantee period of their product would be increased from six months to one year. The rising trend of production is being maintained over the peak production of last year. In April-May, 1979, production touched a level of over 10,000 tractors as compared to 8,000 tractors in the corresponding two months of the previous year, registering an increase of 27 per cent.

Assistance for Andhra

The central government has allocated Rs 25.97 crores as grant and Rs 10 crores as shot term loans to the government of Andhra Pradesh for cyclone relief works in Nellore and Prakasam districts. In addition to this, rice worth Rs 11 crores has been made available to Andhra Pradesh under 'Food for Work Programme'. This has been done on the recommendation of the central team which visited the cyclone affected areas from May 20 to 24, 1979. The recommendations were considered by a high level committee under the chairmanship of Mr G.V.K. Rao, member, Planning Commission.

Essential medicines, disinfectants and insecticides worth Rs 9.85 lakh have been supplied on credit by the ministry of Health and Family Welfare. This includes 32 MT of bleaching powder and 150,000 water purification tablets in addition to one million ML of anti-cholera vaccine supplied free of cost. The ministry of Agriculture which is a nodal ministry for relief measures in case of natural calamities, has approached the ministry of Commerce for provision of term loans through Tobacco Board and other financial institutions to traders and growers for repair and reconstruction of barns. Extent of damage caused to the 44,800 looms reportedly affected by the cyclone is being assessed with the assistance of Development Commissioner, Handlooms.

The Reserve Bank of India has also been requested to go into the credit needs of the agriculturists. The ministry of Railways has granted free carriage of relief consignments for free distribution amongst the cyclone affected people. This conession is valid upto the end of July this year. The ministry of Tourism and Civil Aviation has also been requested to advise the Indian Airlines to allow free transport of relief consignments. According to the information furnished by the government of Andhra Pradesh 581 human lives were lost besides 71,000 cattle and buffaloes and 160,000 sheep and goats. The number of houses damaged or destroyed is estimated to be around 600,000 and the persons rendered homeless about to 2.5 million.

Excise Exemption for Copper Wire

The government has exempted bare copper wires finer than 14 standard wire gauge from central excise duty. Until recently such wires were not charged to duty, since they were not considered assessable as "electric wires and cables" covered by central excise item No. 338. As they appeared to fall under the residual item 68, central excise authorities in some collectorates started assessing them under that item. On the basis of representations from the manufacturers, and after taking technical advice, it was ultimately held that they were in fact electric wires and cables, and accordingly liable to be assessed under item 338, subject to the exemption for small manufacturers whose clearances did not exceed rupees five lakhs per annum.

Since then government has received a number of representations to the effect that this decision would result in hardship to a number of units engaged in drawing or re-drawing copper wires of thickness finer than 14 SWG. A number of factories reported to have stopped production, pending settlement of the issue. The decision is also reported to have caused hardship to units drawing such wires for the manufacture of imitation zari.

With a view to avoiding hardships to smaller units, the government had decided to grant the exemption as stated above. It was hoped that units said to have stopped production would appreciate the action taken by government and would resume production immediately. The exemption, which takes effect on June 11, 1979, will be in force till December 31, 1979.

Wheat Procurement

Wheat procurement this year has exceeded 6.5 million tonnes until June 7, 1979 as against 4.9 million tonnes durduring the corresponding period last year. This has been achieved by the combined efforts of the FCI, state governments and other agencies despite several bottlenecks. As a result of the discussion with the wheat producing states in March this year, arrangements for purchase have been streamlined and the number of purchases centres substaintially increased. Uttar Pradesh has opened 2769 purchase centres this year as against 2386 last year, Punjab 782 as against 696, Madhya Pradesh 292 as against 198 and Rajastan 204 as against 196.

A major impediment in the procurement this year was shortage of gunny bags because of the strike in jute mills in West Bengal in the beginning of the year. As against the estimated requirement of 272,000 bales arrangements could be made for only 190,000 bales. As a result of the negotiations with the Bangladesh government, 45,000 bales of gunnies are being imported. Of this Haryana will get 8,000 bales, Uttar Pradesh 17,000, Punjab 10,000 and FCI 10,000. The states have been authorised to make open market purchases of gunnies to meet any shortage. The government has taken adequate steps to ensure that farmers get support price of Rs 115 per quintal for wheat conforming to the prescribed specifications.

Bhakra Power for Bihar

The Central Electricity Authority (CEA) has arranged immediate supply of 80 MW of power from the northern region to help Bihar to tide over its present power crisis. According to Mr. S.N. Roy, chairman, Central Electricity Authority, the Bhakra system has started supplying 80 MW of power to Bihar. This power is being wheeled through the UP network and delivered to Bihar at Garhwa Road substation. The power supply position in the eastern region which was low, received further set-back on account of tripping of all the machines at Patratu Thermal Power Station in Bihar.

Subsidy for Minor Irrigation

The central government has decided to extend subsidy to farmers holding land between two and four hectares for Agricultural Refinance Development Corporation minor irrigation schemes taken up on area basis with ground-water clearance. This will be 20 per cent for individual minor irrigation works and 40 per cent for community minor irrigation works. The maximum subsidy for individuals will be Rs 5,000, for tribal farmers and Rs 3,000 for non-tribal farmers under Integrated Rural Development Programme and Rs 4,000 for non-tribal farmers under Drought Prone Area Programme.

Fifty per cent of the subsidy will be given by the government during the current financial year while the remaining 50 per cent will be met by the state governments or the union territories by way of matching grants. The state governments and union territories have been advised to identify eligible farmers for this scheme and send their proposals by July 15, 1979. At present under the Small Farmers Development Agency Programme subsidy is available to small and marginal farmers for minor irrigation works such as dugwells, shallow tubewells, renovation of old wells, rahats, electric motors, boring and deepening of wells, pumpsets and for community irrigation schemes undertaken for groups of farmers and implemented by cooperatives, panchayats and minor irrigation corporations.

Passport Office at Gauhati

Another regional passport office has been opened at Gauhati on June 15 this year to cover the states of Assam, Manipur, Meghalaya, Nagaland and the union territories of Arunachal Pradesh and Mizoram. With the opening of this new office, the total number of regional passport offices is now sixteen. It was only nine at the end of the year 1977. During 1978-79. six new regional passport offices were opened at Bangalore, Kozhikode, Jaipur, Bhopal, Bhubaneshwar and Patna. The ministry of External Affairs is taking steps to open three more regional passport offices in the course of the next two or three months, at Srinagar, Jullundur and Simla.

Paper Plant in Nepal

The Hindustan Paper Corporation is looking into the possibility of setting up a large-size paper plant in western Nepal. The proposal is the result of a memorandum signed by India and Nepal last September. It provided for India to conduct feasibility studies for such a plant. The presence of coniferous wood, pine and fir in the mountainous region of western Nepal will determine the plant which can produce about 100 tonnes of paper a day. The study is being funded for most part by the Indian government. The plant, when ready, is expected to help meet Nepal's local needs and supply India an estimated surplus of nearly 33,000 tonnes of paper every year.

Names in the News

Mr S. Hariharan, till recently zonal manager, southern zone, Madras, has taken over as executive director (investment), Life Insurance Corporation of India at its central office, Bombay.

Mr S.G. Subrahmanyan, till recently zonal manager, north zone, Delhi, has taken over as executive director (development and marketing), Life Insurance Corporation of India at its central office, Bombay.

Indian Overseas Bank

IOB'S PERFORMANCE IN 1978 IN BRIEF

Nineteen Seventy Eight proved to be another successful year for Indian Overseas Bank in its operations both in India and abroad. The Bank achieved significant growth in many important areas.

Deposits-Global

The Bank's global deposits and other accounts at Rs. 894.6 crores witnessed a handsome growth of Rs. 239.3 crores (or 36.5%) against Rs. 185.4 crores in the preceding year.

Deposits-India

Aggregate deposits **in India** grew by 37.5% (or Rs. 213 crores) against the growth rate of 22% achieved by the banking system.

Rate of Growth-Deposits

Indian Overseas Bank maintained, for the fourth successive year, its record of highest rate of deposit growth among the nationalised banks. Over the last four years, the Bank's deposits in India expanded 3½ times to reach Rs. 780 crores as of end 1978. IOB's share in all-bank deposits improved from 1.5% in 1969 to 2.7% in 1977 and further to 3.1% in 1978. Success on the deposit front has been achieved in the face of lower interest - rates, decelerated branch expansion and severe competition both from within the Banking industry and from non-banking financial institutions.

Deposit Mix

A feature of deposit growth was the sizeable contribution from Savings and Current deposits. Together they were responsible for half of the incremental deposits during 1978 --Savings 31.5% and Current 18.5%. The share of Savings in total deposits edged up from 23.6% (end 1977) to 25.7% (end 1978) and that of Current from 13.7% to 15.1%. With Term Deposits accounting for only half of the additional deposits mobilised, their share in total dropped from 62.7% to 59.2%.

Rural & Semi-urban Deposit build up

Deposits at rural and semi-urban branches rose by 43% during the year against 39% in the preceding year. Their contribution to total deposit increment was nearly one-fourth. As of end 1978, rural and semi-urban branches were responsible for about 23% of the Bank's deposits in India.

Deposit Accounts

The customer growth as reflected in the number of deposit accounts was satisfactory. The addition during the year was 3.8 lac accounts.

Credit Global

Gross credit of the Bank on a global basis rose by Rs. 133.6 crores or by 31.6% to stand at Rs. 555.2 crores.

Credit-India

Gross credit in India, increased by Rs. 100 crores which is about 28% over the previous year.

Priority Lendings

Priority sectors claimed 37.3% of incremental growth. Priority credit stood at 33.7% of total lendings against the stipulated norm of 33⅓%. Outstanding advances to priority sectors improved from Rs. 117.5 crores (end 1977) to Rs. 154.7 crores (end 1978)—an increase of Rs. 37.2 crores (or 31.6%), well above the 1977 increment of Rs. 30.1 crores. Total lending accounts under priority sectors as of end 1978 numbered 4.22 lacs.

Rural Credit

Agricultural credit recorded a sharp growth of 43%, raising the total level of farm credit to Rs. 71.6 crores. The share of farm lendings in gross credit at 16.6% as of end 1978 was one of the highest amongst public sector banks. Half of the direct agricultural advances were made to small and marginal farmers, who held the bulk (68%) of the bank's total farm borrowal accounts. Nearly 3 lac farmers have received credit so far for both production purposes and for subsidiary occupations.

In the sphere of village adoption, the thrust during the year was on ensuring allround development of villages by provision of credit and other services and wherever necessary, by involving government authorities and voluntary agencies. The number of villages and hamlets adopted till end 1978 was 383; the average number of farmers financed in each village/hamlet was about 80.

Lendings to Small-Scale Industries

Moderate progress was registered in extending credit to the small scale industries. Total outstanding advances increased by Rs. 7.3 crores or by 16.5%, to exceed the Rs. 50 crore mark. As on end December 1978, lendings to small scale industries formed 11.2% of gross credit. The number of small scale units financed by 3,283.

Finance for Employment Promotion

Good progress was made in extending credit under various schemes designed to assist the employment-oriented sectors such as small transport operators, small traders and other self-employed categories. Aggregate outstanding advances to these sectors registered a 35% growth or Rs. 8.2 crores, the same as last year. Nearly 25,000 new borrowers including Harijans and Tribals received credit during the year. As of end 1978 the total number of beneficiaries under employment oriented lendings has touched the one lac mark.

Export Credit

Export credit received a thrust during the year. Outstanding advances reached Rs 39 crores against Rs. 28.0 crores a year earlier.

DIR Advances

For the third successive year, DIR advances remained above the 0.5% norm stipulated by the Government of India. As of end 1978 the ratio was 0.8%.

Rural/Semi-urban Credit/Deposit Ratio

The credit deposit ratio in the rural/semi-urban sector was nearly 60%, taking into account the advances sanctioned by the Bank's urban/metropolitan branches to industrial units for factories located in rural/semi-urban centres.

Regional Rural Banks

The two Regional Rural Banks sponsored by IOB viz. The Pandyan Grama Bank (Tamil Nadu) and the Puri Gramya Bank (Orissa) made considerable headway. Between them, in a short span of about two years, they have financed about 64,000 small and marginal farmers and artisans.

District Credit Plans

District Credit Plans covering

the Bank's seven Lead Districts were launched early in 1978, for implementation from the beginning of April, 1978. The plans envisage a total credit outlay of Rs. 129.1 crores—86% for the agricultural sector, 9.8% to the industrial sector (including small scale industries), and the balance to the service sector. 60% of the Plan outlay had been disbursed before the close of 1978 as against the target of 75% for the year.

IOB made an earnest attempt to fulfill the credit outlays accepted in the 137 non-lead districts. As compared with the cumulative credit allocation of Rs. 20.5 crores to priority sectors for the year 1978-79, lendings during April-December 1978 were of the order of Rs. 25.6 crores-69% to agriculture, 17% to industries and the rest to the service sector.

The implementation of district credit plans and the financing of various schemes contained in the plans are being closely monitored so that it becomes an effective tool for the integrated development of the districts. District Industries Centres have been set up in five of the seven Lead Districts. The Bank has deputed senior officers to serve as credit managers at these centres.

Branch Expansion

52 new branches were opened in 1978-33 of them in **unbanked rural centres**, raising the total number of branches in India to 706 as of end 1978. 14 Extension counters were established during the year against 11 in 1977, taking the total number of Extension counters to 60. 63% of the bank's branches now operate in rural and semi-urban centres, against 43% on the eve of nationalisation - reflecting the tremendous diversification in geographical operations the Bank has achieved.

The policy of decentralisation of administrative machinery for the sake of efficient conduct of operations and to be as near the people as possible, received further stimulus during 1978. An additional Regional Office was opened at Chandigarh for better development and control. IOB now has 12 Regional Offices to coordinate branch activities within their command areas.

International Business

The Bank's international business continued to grow

Condensed Balance Sheet

Previous Year Rs.	Rs.	CAPITAL AND LIABILITIES	31st December 1978 Rs. P.	Rs. P.
6,00,00,000		1. Capital		6,00,00,000.00
3,74,19,823		2. Reserve Fund and other Reserves		6,24,05,441.72
654,89,28,048		3. Deposits and other Accounts		894,57,06,696.98
42,11,47,161		4. Borrowings from other Banking Companies Agents etc.		72,52,19,802.83
9,62,92,417		5. Bills Payable		18,15,81,890.69
40,42,75,729		6. Bills for Collection being Bills Receivable-As per contra		50,99,74,664.72
6,73,13,030		7. Other Liabilities		8,11,89,855.15
76,36,30,176		8. Acceptances, Endorsements and other obligations-as per contra		114,31,08,070.33
		9. Profit and Loss Account :		
	3,61,20,362	Profit for the year ended 31-12-1978	3,77,60,538.55	
	2,25,00,000	*Less* : Amount transferred to Reserve Fund	2,50,00,000.00	
	1,13,33,109	Provision for Contingencies	1,03,06,068 62	
	6,62,253	Bonus to Staff (Colombo, Singapore and Seoul branches only)	8,29,469.93	
16,25,000	3,44,95,362		3,61,35,538.55	16,25,000.00
840,06,31,384				1171,08,11,422.42

substantially. The deliberate attempt made to get a bigger share of foreign exchange business was reflected in a growth of over 75% in the volume of merchant business handled. Apart from export/import transactions and other conventional services, the Bank extended its expertise to international clients in the area of project financing, Euro currencies transactions etc.

Overseas Branches

The Bank's branches abroad—7 at Hong Kong, 1 at Singapore, 1 at Seoul, and 1 at Srilanka acquitted themselves creditably during 1978 as reflected in a 50% expansion in their combined resources. Their growth in key result areas being—deposits 20%, advances 39%, investments 68%, and profits 52%.

Profits

Net profits registered a 4.5% increase to reach the record figure of Rs. 3.77 crores. Ratio of profits to working funds continue to be the highest among nationalised banks.

Capital Funds

The ratio of capital funds to deposits, at 1.4% in 1978, is also the highest among nationalised banks.

Personnel

1978 saw an accelerated tempo of recruitment and training to sustain business growth. The intake was 2140—167 officers, 1552 clerks and 421 subordinate staff—against a total of 1840 in 1977. In line with the national policy, members belonging to Scheduled Castes and Scheduled Tribes were given due importance in recruitment. The Bank's personnel strength at the end of 1978 was nearly 13,100 against 11,115 a year ago. As many as 1177 officers and 1419 clerks were imparted in-house training. 336 officers participated in courses offered by external agencies.

Customer Service

The quality of customer service extended by the Bank was constantly kept under review. For the convenience of customers Evening Banking facilities were introduced in a number of branches. Further, the Teller System came into being in many more branches. The Bank placed special emphasis on the "Savings Advisor" theme in a massive promotional campaign to better customer service.

as at 31st December, 1978.

Previous Year		PROPERTY AND ASSETS	31st December 1978
Rs.			Rs. P.
69,25,93,382	1.	Cash (Including balances with Reserve Bank of India and State Bank of India)	116,30,40,373.75
17,62,37,178	2.	Balances with other Banks	16,45,04,878.43
2,64,91,318	3.	Money at Call and Short Notice	9,21,66,830.06
182,17,68,116	4.	Investments	255,80,89,622.23
422,90,92,151	5.	Advances and Bills Purchased and Discounted	555,18,06,096.56
40,42,75,729	6.	Bills Receivable being Bills for Collection-As per contra	50,99,74,664.72
76,36,30,176	7.	Constituents' Liabilities for Acceptances, Endorsements and other obligations-As per contra	114,31,08,070.33
3,65,50,540	8.	(a) Premises	3,87,41,694.94
11,45,902		(b) Building under construction	20,96,083.65
3,89,82,446	9.	Furniture and Fixtures	4,53,58,491.29
20,98,10,978	10.	Other Assets	44,18,71,603.36
53,468	11.	Non-Banking Assets acquired in satisfaction of claims	53,013 10
Nil	12.	Profit and Loss Account	Nil
840,06,31,384			1171,08,11,422.42

Alembic

Alembic Chemical Works Company Limited

Speech of Shri R. B. Amin, Chairman, Board of Directors, at the 72nd Annual General Meeting of the Company, held at Baroda on Thursday, 14 June, 1979.

Ladies and Gentlemen

I have pleasure in welcoming you all to the 72nd Annual General Meeting of the Company. The accounts for the year ending 31st December, 1978, have been forwarded to you in advance and, with your permission, I shall take them as read.

The total sales of your Company advanced by 15.8 per cent during the year, from Rs 28.81 crores in 1977 to Rs 33.36 crores in 1978. Production levels in basic drugs as well as formulations were maintained and improved upon. However, the increases in production and sales could not reflect themselves in the working results of the Company because the costs of inputs increased sharply and prices of drugs as fixed by the Government did not take due account of these increases. The electricity tariff and the price of natural gas fuel were raised sharply during the year. These together meant an increase in costs to the extent of Rs 16.30 lakhs. Energy is supplied by government monopolies and they can and do increase their tariffs abruptly and exorbitantly. Our industry, however, has its prices fixed by the Government and upward revision is a slow process, and the norms fixed also do not include many factors which push up costs. Prices of some formulations were frozen during this time. In Glycodin, one of our major products, the price of codeine, which is supplied to us by the Government, was increased by more than 50 per cent. But no increase of price was allowed and it has not been ratified till today. Our already narrow margins were wiped out in this and such other formulations, and we operated at a loss. Packing materials, because of the rise in all variety of paper and boards, cost Rs 28.82 lakhs more than that in the previous year. In raw materials, prices of cocoa rose sharply, so did that of sugar. All this had its inevitable effect on the working results of your Company and adversely affected its profitability.

The revised price control order under the new drug policy has now been issued. The basic requirement for fair and equitable price regulation is that the price control order and its implementation should, from the start, promptly and realistically allow for increases in the costs cf inputs. The process for these adjustments in price still remains time-consuming and negative and proves a massive disincentive for continuing with production, leave alone desiring to expand or diversify it. As presently implemented, the industry is forced to bring their product prices down in line with the leader prices. Industry should have been allowed to simultaneously raise their prices which are lower than leader prices. At the same time, all the price revision applications which are frozen for the past year and new ones consequent to the revised norms should be disposed off within one month.

The new Order means a squeeze on producers which can only make production unprofitable and damage their capacity to further produce and market drugs. The projected growth during the Sixth Plan envisages an output of Rs 625 crores of bulk drugs and Rs 1900 crores of formulations per annum. This entails a minimum investment of Rs 370 crores for bulk drugs and Rs 265 crores for formulations. As of now, the viability of the industry is so badly affected that efforts of this Order in terms of investment, new production as also research and development are just not possible to materialise. Freedom to produce and to compete will automatically check prices at proper levels as it did in the past when there was no price control. We only hope that the Government will see the realities of the situation and set things free instead of the present efforts which can only cripple the pharmaceutical industry, leading to a short supply of drugs and thereby jeopardise the health requirements of our people.

Your Company, in the expectation that Government will act promptly and fairly, would as in the past, prefer to g ahead with diversification an expansion. We would als like to maintain this forward looking stance and our usua preference for giving weightag and importance to the manufacture of basic drugs in ou overall plans for production We are also unable to understand why the declared polic of the Government regardin the proportion of bulk drug and formulations as 1 : 10 ha not been implemented. It i only fair that a Company lik yours, should be able, withou formalities and delays of procedure, to expand its range an output of formulations to th extent of ten times its own output of basic drugs. Release o raw materials also should b automatic and substantial i our country is to avoid shortage in drugs, which are bein experienced from time to tim even now. Steps to restore th strength and vitality of th drugs industry have to be take now; otherwise shortages wi be the inevitable consequenc

Before concluding my Statement. I record my appreciatio for the efforts put in by th workers, the staff and th managers of your Compan during the past year. I als thank my colleagues on th Board of Directors for the counsel and co-operation.

I now commend the Annu Accounts and the Director Report for your consideration

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Note : *This does not purport be a record of the proce dings of the Annual Gen ral Meeting.*

COMPANY AFFAIRS

Hindalco Dividend

THE DIRECTORS of Hindustan Aluminium Corporation have recorded their intention to pay a dividend of at least 10 per cent on the increased equity capital resulting from the proposed issue of bonus shares on a one-for-two basis. The company paid dividend at the rate of 12.5 per cent for 1978. An extraordinary general meeting of the shareholders has been convened on July 2, 1979, to seek their approval to the bonus issue proposal. As usual, the proposal is subject to the consent of the Controller of Capital Issues.

Kaiser Shares

The Calcutta High Court has issued an interim stay order preventing the implementation of the order issued by the Controller of Capital Issues, requiring the Kaiser group to effect the proposed sale of its shares in Hindustan Aluminium Corporation Ltd. in a manner apparently favouring certain financial institutions at the cost of its other existing shareholders.

The rule issued by the High Court has been made returnable within six weeks. Mr Siddharth Shankar Ray appeared on behalf of the petitioners. The interim injunction has been granted following a petition by Mr Chhaganal Binani and four other shareholders of the company.

The respondents are : (1) The Union Government, (2) Dy. Controller of Capital Issues, (3) Controller of Capital Issues, (4) RBI, (5) Controller: Foreign Exchange Central Department, (6) Kaiser Aluminium and Chemical Corporation, (7) Kaiser Aluminium Technical Services, (8) Hindustan Aluminium Corporation Ltd. (Hindalco), (9) Life Insurance Corporation of India, (10) Unit Trust of India and (11) General Insurance Corporation of India.

Existing Pattern

The existing pattern of the Hindalco's shareholding is as follows: Birla groups 26.63 per cent, the Kaiser group 26.69 per cent, banks and financial institutions 14.28 per cent and the general body of shareholders (numbering about 17,400) 32.40 per cent.

As shown by the petitioner the Kaiser group had decided about a year ago to dispose of its 26.80 lakh equity shares of Rs 10 each in the company and in the necessary intimations under Section 108B, of the Companies Act to be given to the government in this regard had proposed to offer the shares for purchase by the existing equity shareholders of Hindalco on a pro-rata basis.

It was further proposed that the shares not taken up by them would be offered to the company's employees for purchase and that any shares thereafter remaining would be sold through authorised stock brokers. Thus, the existing shareholders had the reasonable expectations to get these shares on pro-rata basis. The government, however, did not issue any directions on the subject following this intimation within the 60-day time limit.

The Controller of Capital Issues, however, later told the Kaisers that they would be allowed to sell these shares provided a major percentage of these shares was to be sold to certain financial institutions. Thus the Kaisers were virtually compelled to revise their proposal for the sale of their shares in Hindalco. The petitioners have contended that the revised proposal was made by the Kaiser on the erroneous assumption that CCI's approval for the sale of shares was necessary. Appointments sought by aggrieved shareholders were not granted by CCI.

Thereafter, CCI directed the Kaisers last month that it should sell from its holding 15.80 lakh equity shares to public financial institution (UTI, LIC and GIC); 10 lakh shares to the company's employees; all at a premium of Rs 10 per share.

The petitioners had contended that the CCI's order had completely disregarded the interests of the existing non-institutional shareholders of the company and had given unfair and undeserved weightage to certain institutional shareholders. The petitioners had pointed out that the company's chairman, Mr G. D. Birla, had suggested that both the Birla group and financial institutions should be debarred from purchasing these shares to give the maximum benefit to the independent shareholders.

Indian Rayon

The management of Indian Rayon has negotiated a joint venture project for setting up a high tension porcelain insulator unit in Philippines. A new company under the name 'Indo Phil Ceramics' (IPC) has been incorporated in Phillippines with Indian Rayon's participation in collaboration with some parties operating in other countries. The initial capital of IPC will be equity shares of pesos 17.5 million and debentures of pesos 2.5 million in which the Indian Rayon's participation would be to the extent of 15 per cent, being equivalent to Rs 30.19 lakhs in equity shares and Rs 4.31 lakhs in redeemable debentures at the present rate of exchange.

Capital Contribution

The capital contribution by Indian Rayon will be in the shape of supply of plant, machinery and equipment from India. The company will also be providing technical know-how to IPC for which it will be receiving a fee of about Rs 8.62 lakhs at the present rate of exchange. The directors expect that investment in IPC will yield good returns within a reasonable time, apart from earning foreign exchange for the country. Mr A. V. Birla, chairman of the Indian Rayon and Mr. P. M. Lodha, president of the insulator division of the company are the two directors on the board of IPC.

In order to conserve the financial resources to meet the capital expenditure, the directors of Indian Rayon propose to extend the dates of redemption of 'B' series preference shares and second series debentures by increasing the rate of dividend in the former from 10 per cent to 11 per cent and the rate of interest on the latter from 10.5 per cent to 11 per cent per annum. It is proposed to extend the date of redemption of the preference shares to. July 31, 1991. The date of redemption of the debentures is proposed to be extended by ten years so as to make them redeemable in two equal instalments on January 1, 1989 and January 1, 1990.

The company also intends to raise additional finance of Rs 25 lakhs by privately placing debentures with the financial institutions. UTI, GICI and National Insurance Company have agreed to subscribe for debentures worth Rs 12.5 lakhs, Rs 5 lakhs, and 7.5 lakhs respectively. These amounts will be utilised to modernise the rayon division of the company.

Indian Overseas Bank

Indian Overseas Bank has made spectacular progress in recent years. The chairman of the bank, Mr Vishnumurthy Yerkadithaya claimed at a press conference in Madras recently that its growth in deposit was the highest for any major nationalised bank for four years in succession. The rural and semi-urban branches made a significant contribution to new deposit with a rise of 43 per cent against 39 per cent in the previous year. Aggregate deposits were thus higher at Rs. 894.57 crores at the end of 1978 against Rs 654.89 crores in 1977 representing an increase of 36.5 per cent against the average of 18.6 per cent for all banks. The Rs 1,000-crore mark can thus be comfortably surpassed in 1979. The overseas branches acquitted themselves creditably. The experience in lending in metropolitan and interior areas has been encouraging.

The chairman drew pointed attention to the achievement of a credit-deposit ratio of nearly 60 per cent in respect of semi-urban and rural branches, including advances extended by metropolitan branches to industries located in rural and semi-urban centres. There is a sharp increase of 43 per cent in farm credit while moderate progress was recorded in the grant of assistance to small-scale industries. Aggregate advances thus rose to Rs 555.18 crores from Rs 422.91 crores. Investments were higher at Rs 255.81 crores against Rs 182.18 crores and cash balances including money at call at Rs 141.97 crores against Rs 89.53 crores. Borrowing too has risen to Rs 72.52 crores from Rs 42.11 crores.

There was a modest increase in gross income to Rs 74.58 crores from Rs 58.14 crores. As interest paid on deposits and borrowing jumped to Rs 48.09 crores from Rs 36.49 crores and salaries and allowances, bonus and other items to Rs 14.94 crores from Rs 11.50 crores only a modest increase in profit, after taxation and all provisions, to Rs 3.78 crores from Rs 3.61 crores could be achieved. The net earnings for 1978, however, constituted an all time record in the history of the bank.

Wimco

In view of the steady decline in the share of safety matches manufactured by Wimco in the Indian market for the last eight years from 50 per cent to 28 per cent, the directors of the company have decided to go in for diversification into food products through Sun-Slip Ltd., Chandigarh, Super Food Ltd., and Cleanfood Corporation, which would improve export earnings and profitability of the company and also contribute to rural development and employment. The company has taken steps to set up a plant to extract bromine from salt bitters. The plant is expected to be commissioned this year and after that the company would consider further diversification into marine chemicals. The company is also reviewing various other diversification proposals related to existing lines of activity in addition to the agro-based projects the company has already taken. The company also proposes to make further investment in the match factories to modernise its processes and instal equipment for the manufacture of cardboard boxes.

Swadeshi Malt

Swadeshi Malt and Allied Industries Ltd. is entering the capital market with an offer of 200,000 equity shares of Rs 10 each for cash at par. The subscription list will open on June 21 and close on July 2 or earlier but not before June 23. The company will manufacture process, stock and import of barley and all kinds of malts and allied products such as distillers' alcohol, solvents, hordeum and docotium. The company will set up a project at Alwar in Rajasthan for production of 4,000 tonnes of malt and 300 tonnes of malt extract per year in the first phase which will eventually be increased to 8,000 tonnes of malt and 600 tonnes of malt extract. It has already taken possession of 40,000 sq. m. of land at the Matsya industrial area in Alwar district. A detailed project report has also been prepared. The key plant, a refrigeration unit, will be supplied by Voltas Ltd.

The total project cost has been estimated at Rs 95.30 lakhs, of which Rs 33 lakhs will be raised from equity shares and the rest will be covered with term-loans from various public financial institutions such as the Rajasthan Financial Corporation and banks. The management claims that the demand for malt and malt extracts is rapidly rising. Barley malt being one of the essential ingredients of the food industry, the de-

OIL & NATURAL GAS COMMISSION

ONGC

6th Floor, Kailash
26 Kasturba Gandhi Marg,
NEW DELHI-110001. (India)

Ref. : DLH/WP/2/

TENDER NOTICE FOR THREE WELL PLATFORMS COMPLEX IN BOMBAY HIGH CENTRAL/SOUTH

Reference to their tender notice No. DLH/WP/1 dated 23rd May, 1979 in the Press, Oil & Natural Gas Commission hereby notify that the date for issue of bid documents for the above work, scheduled for 15th June, 1979 has been postponed. The revised date and other details, if any, will be notified in the Press.

Inconvenience caused to interested bidders is regretted.

DEPUTY DIRECTOR (S&P)

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mand for the item is expected to go up considerably with the projected growth in the food industry.

Karnataka Aluminium

A Rs 189-lakh aluminium extrusion project is being set up in joint sector in Mysore, by the Karnataka Aluminium Ltd. Promoted jointly by the Karnataka State Industrial Investment and Development Corporation (KSIDC) and Bhoruka Steel, the plant will have a licensed capacity of 3,300 tonnes per annum. The estimated project outlay of Rs 189.12 lakhs is to be financed by share capital of Rs 58 lakhs, central subsidy of Rs 15 lakhs, term loans from financial institutions of Rs 1.13 crores and unsecured borrowing of Rs 3.12 lakhs. Of the equity capital KSIDC will take up shares worth Rs 15.08 lakhs, promoters and friends Rs 14.20 lakhs and the balance of equity shares of Rs 10 each worth Rs 28.42 lakhs are to be offered for public subscription.

Aluminium ingots, principal raw material, is available indigenously. An extrusion press will be imported either from the USA, West Germany or the UK. The plant and machinery are scheduled to be installed by February next and to start production in March, 1980. Besides extensive use in aircraft, furniture and other industries, aluminium extruded profiles have a good export potential, especially in West Asia.

Wrapaids

Wrapaids Ltd. is setting up a Rs 4.50-crore project to manufacture fine papers in Mysore district, a notified backward rural area. The company's main promoter is Mr V. Swaminathan, a former merchant banker. It has been registered to manufacture annually 10,000 tonnes of different varieties of papers. The raw materials will be rags, rice straw, bagasse, elephant grass, waste paper etc. which are all locally available. The paper machinery being imported from the USA is expected to reach by the first quarter of 1980. The pulp plant and utilities are being procured indigenously. All infrastructural facilities, including water, power and fuel, are readily available. The plup plant is expected to go in to production by 1981. However, the company plans to manufacture paper with imported pulp by the later half of 1980.

The project cost of Rs 4.50 crores is proposed to be met by share capital (Rs 1.50 crore), central government subsidy (Rs 15 lakh) and term loans from IDBI, ICICI and IFCI (Rs. 2.85 crore). The Karnataka State Industrial Investment and Development Corporatton is participating in the equity. The company plans shortly to make a pubiic issue of Rs 88.50 lakh of equity shares of Rs. 10 each to meet a part of the cost.

Malayalam Plantations

Malayalam Plantations (I) Ltd. is scheduled to enter the capital market with an issue of 779,930 equity shares of Rs 10 each on August 28, this year. The company was formed to take over, under FERA, the activities in India of Malayalam Plantations Ltd. a company incorporated in the UK The Indian company will have a share capital of Rs 3 crores. Of this, shares of the aggregate face value of Rs 2.22 crores will be issued to Malayalam Plantations (Holding) Ltd., UK After the present issue, the resident Indians will have a share capital of 26 per cent in the Indian firm.

The company owns 26 estates in India with a total area of 26,326 hectares of which, 16,271 hectares are under plantation. An outstanding feature of the company's operations is that its plantations consist of tea, rubber, cocoa and cardamom. This perhaps explains the consistent working results during the past many years. The profits after tax during 1976-77 and 1977-78 have been Rs 243.48 lakhs and Rs 189.92 lakhs respectively. The company has announced that the equity shares now being issued shall be entitled for full dividend that may be declared for the current accounting year ending March 31, 1980.

Blue Star

Blue Star has decided to pay balance five per cent dividend for 1973 to those shareholders whose names appeared in the register of members on June 26, 1974. The compuny had declared a dividend of 15 per cent for 1973 and it was approved by the shareholders at the 25th annual general meeting held on June 26, 1974. However, owing to the Companies (Temporary Restrictions on Dividends) Act 1974, the dividend at the rate of 10 per cent equity shares could only be paid. The company has now decided to pay the balance five per cent following a clarification issued by the joint secretary, ministry of Law, Justice and Company Affairs that the excess amount which was not paid due to the coming into force of the above act, is required to be paid after July 6, 1976, subject to the other provisions of the Companies Act, 1956.

Announcing this at the annual general meeting recently, the chairman of the company pointed at that it was well established as a leading manufacturer of air-conditioning and refrigeration equipment, and also as a supplier of various types of plant and machinery, scientific and medical instruments, sophisticated electronic equipment and allied products of Indian and foreign manufacturers. The company was also well known in many foreign countries not only as an exporter of engineering products but also as a contractor of international repute in the field of air-conditioning and refrigeration.

Standard Mills

The directors of Standard Mills have proposed an unchanged dividend of 20 per cent for the year ended March 31, 1979 on the increased capital.

On net sales of Rs 72.81 crores against Rs 66.84 crores, the company has earned a gross profit of Rs 8.04 crores against Rs 7.04 crores. With depreciation requiring Rs 2.26 crores (Rs 2.73 crores), investment allowance Rs 55 lakhs (Rs 58 lakhs) and taxation Rs 2.50 crores (Rs 1.94 crores). the net surplus is Rs 2.73 crores compared to the previous year's Rs 1.78 crores. The proposed dividend on preference and equity shares will require Rs 1.30 crores (Rs 1.08 crores).

After taking into account Rs 2.41 crores being excess provision resulting from change in the method of computation of depreciation, Rs 11.89 lakhs being refund of tax, and Rs 31.42 lakhs being the previous year's surplus, a sum of Rs 4 crores is proposed to be transferred to the general reserve.

RECORDS AND STATISTICS

The Manila meet

In the arena of diplomacy, when an exchange between or among governments does not produce general agreement on the most controversial issues at hand, it is styled as "useful". Ordinarily, this polite expression masks heated arguments. The nearly month-long deliberations of the fifth round of the UN Conference on Trade and Development (UNCTAD), which concluded at Manila on June 3, 1979, have been summed up in this word "useful", implying thereby that no consensus could be reached on most of the controversial issues which came up for discussion. More than 150 delegations, representing countries with varying political systems and at different stages of development—highly-industrialised, semi-industrialised, primarily agricultural, the special category countries as well as the affluent oil exporters—discussed ways and means for bringing about greater equity in the global economic order. Their deliberations threw up some positive and some negative results. Among the positive results was the decision reached without dissent on launching a comprehensive new programme of action for the least developed countries. Resolutions were also passed for fostering closer economic cooperation amongst the developing nations and for doubling "as early as possible" the target of aid from the developed countries to the least developed ones from 0.7 per cent of the gross national income of the former to 1.4 per cent.

On the key question of trade protectionism, the UNCTAD recognised the global nature of the chronic barriers to free trade and agreed on the universal responsibility to do whatever possible to reduce these barriers. The need for exploring realistically the capacity of the developing countries to absorb advanced technology came into sharp focus. So also the imperative of closely looking into the questions of commodity processing, marketing, distribution and research and development. The developing countries were able to force a resolution, even in the face of strong opposition from the industrialised countries, urging the UNCTAD to study a commodity earnings stabilisation fund. They refused to support the multilateral trade agreements reached recently under the auspices of the General Agreement on Tariffs and Trade (GATT). The crucial issue of energy, though it was not included in the basic agenda, too was considered, but not in any great detail. Reproduced below is an official resume of the deliberations at the Manila conference.

THE UNITED Nations Conference on Trade and Development (UNCTAD) ended its fifth session at Manila on June 3 after reaching consensus on several items from a broad agenda of development issues.

The Conference decided without dissent to launch a comprehensive new programme of action for the least developed countries, and called for the provision of much larger flows of assistance to such countries.

On development assistance generally, it urged all donor countries "to increase effectively and substantially" their official aid flow towards the United Nations target of 0.7 per cent of Gross National Income. This target was fixed by the General Assembly for the 1970s but has been reached by only a few industrialised countries. UNCTAD-V called for the doubling of this target "as soon as possible" with respect to the least developed.

Reflecting the concern expressed by many countries at UNCTAD-V regarding protectionism and its consequences for the economies of developing countries, the Conference called on developed countries to reduce and eliminate such practices, in particular concerning imports from developing countries. However, the developing countries said this resolution fell far short of their expectations and the western market-economy nations of UNCTAD's group B expressed reservations.

On another trade issue, UNCTAD-V asked the Trade and Development Board—its executive body—to evaluate the Multilateral Trade Negotiations recently held in Geneva under the General Agreement on Tariffs and Trade (GATT).

During the session, 13 countries pledged a total of $87 million to a commodity development facility—the second window—of the Common Fund for Commodities. Agreement in principle on the establishment of the fund was reached at an UNCTAD meeting in March.

In a year that will see two United Nations conferences focus on the transfer of technology to developing countries, UNCTAD-V agreed to lines of action for a possible international strategy to boost the technological capacity of the Third World. Included are suggestions for action by developed and developing countries and the world at large.

But agreement could not be reached in Manila on the main issues that have so far blocked completion of a Code of Conduct for the Transfer of Technology. UNCTAD-V called for a second session of the conference on this subject to be held late this year at Geneva.

No Agreement

Intesive negotiations by member governments failed to produce a resolution on another major agenda item—on the world trade and economic situation and structural changes in the world economy. After the conference acted to transmit this question for further consideration by the Trade and Development Board, spokesmen for the "Group of 77" developing countries, for group B (developed market-economy countries) and for nine socialist countries expressed regret at the failure to reach agreement and said the dialogue must continue.

Lengthy efforts to seek accommodation caused the four-week session to run two days beyond its scheduled close.

The session was held at the Philippine International Convention Centre, Manila, at the invitation of the government of the Phillippines. Mr Carlos P. Romulo, Foreign minister of the Phillipines and a former president of the general assembly, presided over the session.

In his closing remarks, president Romulo stated: "There have been no victories in UNCTAD-V, and there have been no defeats. We have not been fighting each other here. We have been seeking to agree, even if in some cases we have only agreed to disagree."

Detailed Plan

On other matters, the Conference approved a detailed plan for implementing the UNCTAD integrated programme for commodities,including a call for prompt action to establish the common fund that is to finance buffer stocks in a price stabilisation scheme. It also proposed intensified action to reach agreement on individual commodities and urged that investment and technical assistance for food production be "substantially incerased" in developing countries and that the UNCTAD secretariat keep tabs on international trade in food.

Important maritime countries committed themselves at Manila to ratify, and thereby bring into effect, a 1974 United Nations convention on a code of conduct for the shipowners' associations known as Liner Conferences. But the industrialised nations voted against a "Group of 77" proposal, adopted by the conference, on bulk trades, which account for four-fifth of the world's maritime trade including most of the movement of commodities. And they abstained on another proposal adopted at Manila, to provide financial and technical assistance to help the developing countries build up their merchant fleets.

Call for Action

In other action, the Conference:

- suggested action by the international community and individual countries to help land-locked and island countries in the developing world;
- called for further steps to promote economic development among developing countries;
- requested states to refrain from adopting national legislation on mining of the deep sea-bed until an international treaty is adopted for the area (a number of industrialised countries voted against);
- asked that the concerns of the developing countries be taken into account in the forthcoming revision of the international patent system;
- suggested steps by both developed and developing countries to cope with the "brain drain" of trained personnel from developing to developed countries, and decide on a programme of UNCTAD studies on the subject;
- appealed for international assistance to Djibouti and Tonga and asked for their inclusion in the list of least developed countries. A number of group B counries abstained in the vote;
- called on developed countries to eliminate discriminatory and unfair practices in transport, banking and insurance, particularly on passenger air fares. Group B countries voted against;
- decided that the United Nations Conference on Restrictive Business Practices, called for by the General Assembly last year would be held during the last quarter of this year; and called for the collection and dissemination of information on such practices when they adversely affect international trade;
- decided to establish an Intergovernmental Committee on the Rationalization of UNCTAD Machinery; and
- referred to the permanent UNCTAD machinery questions relating to the expansion of export trade of developing countries in manufactures and semi-manufactures, and two proposals on the expansion of East-West and East-South trade.

Multilateral Cooperation

At the closing meeting, the "Group of 77" announced that it was recommending to a ministerial meeting of its members, to be held in New York later this year, that consideration be given to a proposal by president Ferdinand E. Marcos of the Philippines for the establishment of a mechanism to implement multilateral economic cooperation within the group.

The Conference adopted by acclamation a resolution expressing gratitude and appreciation to president Marcos and the First Lady of the Philippines, Mrs-Imelda Romualdez Marcos "for their personal effort and contribution to the success of the conference."

The Manila session was attended by representatives of 144 out of UNCTAD's 159 member states.

The Conferenca conducted its work at the Manila session in two overlapping phases: a general debate and meeting of negotiating groups.

Taking part in the general debate were the representatives of 125 out of UNCTAD's 159 member states, as well as spokemen for a number of world and regional organisations, inter-governmental and non-governmental. In all, 166 statements were made, ranging over the many issues of world economic and development policy facing UNCTAD.

Among the speakers were prime ministers, J. Malcolm Fraser of Australia and Masayoshi Ohira of Japan. The First Lady of the Philippines, Mrs Marcos, spoke as head of her country's delegation. Six deputy prime ministers and some 61 other ministers presented their countries' views to the Conference,

During the debate, seven countries pledged a total of $61 million to the "second window" of the Common Fund for commodities. Leading the list was the Philippines, with a pledge of $25 million. Other announced contributors were, Norway ($22 million), Sweden ($5.5 million), Belgium ($3 million), Austria and Finland ($2 million each) and Malaysia ($1 million).

Second Window

At the final meeting of the session, six governments pledged another $26-27 million million for the second window, raising total pledges at UNCTAD-V to $87-88 million. The new donors were: the Netherlands ($17 million), India ($5 million), Denmark ($2-3 million), Indonesia and Thailand ($1 million each) and Singapore ($250,000).

In addition, Yugoslavia reaffirmed its earlier statement that an undetermined amount from its Common Fund pledge of $30 million would be allocated to the second window and Japan said it would give "an adequate amount" to the second window.

Arrangements for the Common Fund were agreed in March at an UNCTAD conference in Geneva, Its "first window", targeted at $ 400 million, will be used to finance buffer stocks of certain commodities as part of a price stabilisation scheme.

The second window, with planned assets of $ 350 million, is intended to help finance measures other than buffer stocking, such as commodity research and development.

Strong Warning

Prior to the general debate, which lasted for 10 working days from May 8 to 21. United Nations Secretary-General, Mr Kurt Waldheim addressed the opening meeting of the Conference. He warned that unless decisive progress was made in increasing food and agricultural production in the coming years, all other development efforts would be seriously undermined. Also, efforts by all nations would be necessary if the difficult adjustments required to make the transition from excessive reliance on oil to an increased use of other energy sources are not to have adverse effects on the process of development."

No draft resolution was submitted to the Conference following intensive discussions in negotiating group I on "evalution of the world trade and economic situation and consideration of issues, polices and appropriate measures to facilitate the structural changes in the international economy, taking in to account the interrelationships of problems in the areas of trade, development money and finance (item 8). Instead, the conference decided to send the item to the Trade and Development Board for further consideration.

Structural Changes

This item was considered by the UNCTAD secretariat to have special significance for the session. for it not only covered specific issues but also provided a conceptual framework within which the structural changes required in each of the other policy areas covered by the agenda can be considered in a mutually consistant manner "and essentially provides the underlying theme of UNCTAD-V."

The representative of Bulgaria, speaking also for Byelorussia, Czecholosvakia, German Democratic Republic, Hungary, Mongolia, Poland, the Ukraine and the USSR, expressed regret that the Conference had not been able to take any substantive action because of deep difference between groups of countries in regard to the present trade situation and, first and foremost, because of differences between developed and developing countries. The countries for which he spoke had consistently supported a resolution which would have given a clear and unequivocal assessment of the economic situation and, among other things, would assess the role of transnational corporations, whose policies run counter to the aspirations of mankind.

The problems of structural transformation merited continued attention, he stated, as the existing system did not reflect reality and hampered the economic decolonisation of the developing countries.

Speaking for group B, the representative of the Federal Republic of Germany said the failure of these negotiations was not due to a lack of goodwill on the part of the participants but to the limited time available and to the difficulty of deciding how to deal with key issues. There had been a frank exchange of views in a constructive spirit.

There had been broad agreement in negotiating group I that structural adjustments must be made in the common interest, he said. Within the framework of the Trade and Development Board, and other appropriate United Nations forums, the dialogue "can and must be continued" on the world economy and the development of the developing countries.

Algeria, as spokesman for the 'Group of 77', also expressed regret that consensus had not been possible. The 'Group of 77' attached great importance to structural change—the cenral theme of the Conference. The institutional framework must be restructured through conscious and concerted action by members of the United Nations.

Shift in Policies

The 'Group of 77' had an uneasy feeling that there had been a shift in the policies of some developed countries away from the consensus which had been achieved earlier. Unfortunately, there had been no opportunity to have a useful and concrete dialogue on the important subjects, he said.

Some questions had been raised which were not of a very constructive character, he went on. Issues should be faced squarely: there should not be a search for a scapegoat or a resort to divisive tactics.

More positive results should be sought when the questions came up in the Trade and Development Board. The dialogue would not end with UNCTAD-V, he added.

Following deliberations in negotiating group II on developments in international trade, the conference adopted without a vote a resolution on protectionism and structural adjustment.

Global Evaluation

It also adopted a consensus decision requesting the Trade Development Board to make a global evaluation of the multilateral trade negotiations on the basis of a report by the UNCTAD secretary-general, together with other relevant documentation."

Protectionism and structural adjustment: In a two-part action programme submitted by the chairman of negotiating group II, the Conference urged developed countries to move towards the reduction and elimination of quantitative restrictions and measures having similar effect."

The Conference asked for continued work in the areas of trade resitrictions and compiling of an inventory of non-tariff barriers. It invited the General Agreement on Tariffs and Trade (GATT) to examine any case of future protective action by developed countries against imports from developing countries" and urged the developed countries to continue efforts towards reducing tariff escalation.

Concerning structural adjustment related to trade, ths Conference entrusted the Trade and Development Board with organising an annual review of world patterns of production and trade. Governments would take such reviews into account in their adjustment assistance polices.

Compensating commodity ex-

porters: The idea of compensating commodity exporters for shortfalls in earnings under certain circumstances has been advanced and even applied in various contexts but not on a commodity-by-commodity basis. A resolution proposed by the 'Group of 77', and adopted by a vote, calls on the UNCTAD Secretary-General to prepare a detailed study for the operation of a complementary facility to compensate such shortfalls on specific commodities. This would be additional to the improvement of the compensatory financing facility of the International Monetary Fund (IMF).

Food Trade

In international food trade resolution—the first adopted by an UNCTAD session devoted specifically to international food trade–the Conference urged that investment and technical assistance should be substantially increased, with the support of developed countries and the international organisations concerned, in order to accelerate food production in developing countries, especially in the least developed countries. Among the suggested ways of achieving this aim, as well as that of securing "stable and equitable prices", is the "early conclusion, where appropriate, of international agreements on food commodities, including where necessary the establishment of adequate reserves."

The UNCTAD Secretary-General, in coordination with relevant international organisations, is requested to maintain under regular review all matters regarding international food trade. Also, in cooperation with international organisations concerned with food issues, he should "examine the impact of food trade on the food production and consumption and food security of developing countries."

Tungsten: Tungsten, being outside the scope of the integrated programme for commodities, was the subject of a separate resolution. Discussions on ways of moderating the volatility of the tungsten market have been in progress for 14 years, with most producing and some consuming countries favouring the convening of a negotiating conference with the object of concluding an international commodity arrangement, while certain consuming countries have consistently supported the idea of a producer-consumer forum.

In its resolution, the conference requests the UNCTAD Secretary-General to convene further preparatory meeting as soon as possible. Subject to the recommendation of these meetings, he is asked to convene a negotiating conference on tungsten as early as possible and preferably before the end of 1979."

Integrated Programme

The main resolution on commodities adopted by the Conference is a six-page "omnibus" text covering various aspects of the implementation of the Integrated Programme for Commodities (IPC), which was established by UNCTAD-IV in Nairobi in 1976. Section A urges governments to intensify efforts on the Common Fund in order to hasten the drafting of the articles of agreement later this year. The interim committee charged with this task is scheduled to meet in Geneva in September. Governments are also urged to announce their intentions as regards voluntary pledges to the 'second window' of the fund. To date, $61 million have been pledged towards the target of $280 million in voluntary contributions for the second window, which is to be used to help finance measures other than stocking.

Specific Commodities

Section B of the resolution deals mainly with the intensification of effort that is needed to promote international arrangements on individual commodities. Since the IPC was created, preparatory meetings have been held on many of the 18 commodities coming within its scope, but for only one commodity—natural rubber—does it seem likely that a new agreement will be concluded in the near future. Some IPC commodities, namely coffee, cocoa and tin, are covered by agreements that existed before the IPC was set up, while the agreement on sugar was negotiated subsequently, but not within the IPC.

In section B of the resolution the conference invites members of existing international commodity agreements to consider associating themselves with the Common Fund with a view to using the financial facilities available in its first and second windows.

The second half of the resolution is devoted to other aspects of the IPC, such as the wish of developing countries to have a larger role in the processing of primary commodities and in the export of processed goods. One provision deals with increasing their participation in the marketing and distribution of commodity exports. UNCTAD is requested to prepare studies on all those aspects, as well as on needs and costs in the medium term in the fields of research and development, market promotion and horizontal diversification.

Finally, the conference decided that after the IPC *per se* has been concluded at the end of this year, the work begun under its aegis will be taken over as part of UNCTAD's regular programme of work on commodities.

Following the adoption of the resolution, Belgium, speaking on behalf of Group B, together with several market-economy countries including the Federal Republic of Germany, the United States and Canada, made statements in support of the idea that the determining factor in the price of commodities should be market force rather than artificial measures. The Federal Republic of Germany in particular criticised any suggestion of indexation of commodity prices as a mistake from an economic standpoint. Austria welcomed the consensus that had been reached, while noting that some parts of the resolution required greater study. Bulgaria expressed some apprehension at the costs which might be involved in convening preparatory meetings on the various individual commodities.

Compensatory Financing

Two alternative texts were placed before the president's contact group, one put forward by the 'Group of 77' calling on the UNCTAD Secretary-General to prepare a detailed study of the operation of a complementary facility to compensate shortfalls in export earnings on a commodity-by-commodity basis and the other suggested by group B favouring waiting until a similar study under preparation by the International Monetary Fund and the World Bank was completed in September. Following a request by the Group of 77 for a vote on its version, this was done, with the following results : 75 in favour, 12 against, and 14 abstentions.

The Federal Republic of Germany, speaking on behalf of group B, said it deeply regretted the attitude of the Group of 77, particularly the artificial separation of this issue from the overall resolution on the integrated programme. A number of market-economy countries, including Federal Republic of Germany, the Netherlands, Denmark, the United States, Canada, Sweden Japan, Finland and Norway, as well as Spain, explained their votes, with the Nordic countries generally in favour (except for Denmark, which abstained). Japan and the Netherlands also abstained. On the other hand, Canada and the United State favoured trying to improve the existing IMF compensatory financing facility.

Wheat & Coarse Grains

Wheat : A resolution on this question refers to the negotiations that have been in progress under UNCTAD auspices since February, 1978, with the aim of concluding trade conventions for wheat and coarse grains as well as a new food aid convention. The most recent session of this conference had to be adjourned in February of this year, without concluding its work. In this resolution, UNCTAD-V urges all participating countries "to exert the requisite political will at the next session of the International Wheat Council in June to re-examine the main unresolved issues, together with new possible elements and the conditions that would allow for a successful conclusion of the negotiations".

Trigger Points

Earlier in UNCTAD-V, the executive secretary of the International Wheat Council Jean-Henri Parotte, had identified the main outstanding issues on the Wheat Trade Convention as the "trigger points"—the price level at which stocking and release of assistance that would be activated—the size of the reserve stock, and the extent of assistance that would be givin to developing countries to enable them to fulfil their obligations as regards stocking and storing wheat.

The last point was emphasised in the resolution approved in a provision bringing developing countries requests in this matter to the attention of UNCTAD member states

Sugar : A statement on sugar was made by Cuba on behalf of the Group of 77. This consisted mainly of a critique of the policy being followed by the European Economic Community (EEC) in increasing its exports from an average of 295,000 tons in 1971-1975 to more than 3 million tons in 1978. "We think their is no justification for this increase. If the Community really wishes to demonstrate that it is sincere in its stated support for commonity agreements and for the integrated programme, we urge it to do so by deeds, not by words. Only if it participates effectively in the International Sugar Agreement of 1971 will it be recognised as possessing a genuine desire for international cooperation in the field of commodities", the statement said. The statement also called on the principal sugar-importing member, the United States, to ratify the agreement and to eschew protectionist attitudes in defining its own sugar policy.

France, speaking on behalf of the EEC, rejected the allegations contained in the statement and recalled that the Community in 1978 had imported 120,000 tons of sugar at intervention prices.

Australia stated it could support much of what the Cuban statement said.

Transnational corporations : A draft resolution submitted to the national and international level, to increase the independent participation of national enterprises in expanding the production of commodities, was sent by the Conference to the "regular machinery" of UNCTAD.

Restrictive Practices

UNCTAD-V agreed that the United Nations Conference on Restrictive Business Practices should be held during the last quarter of this year. The conference was called by the General Assembly, which decided last December that it should be held in Geneva some time between September, 1979 and April, 1980. The Assembly authorised the Manila session to take appropriate action for the conference, "including decisions on relevant issues and, in particular, the determination of the precise dates".

The Conference, the assembly said, is to negotiate "and to take all decisions necessary for the adoption of a set of multilaterally-agreed equitable principles and rules for the control of restrictive business practices having adverse effects on international trade, particularly that of developing countries", including a decision on their legal character. Outstanding issues include whether the rules should be legally binding or voluntary, what exceptions would be permissible in applying them, whether particular types of enterprises might be given special treatment and what institutional arrangements should be established.

Continued Action

UNCTAD-V makes no recommendations concerning the work of this conference, but it does address the UNCTAD secretariat's continuing work in the area of restrictive business practices—which includes such questions as price fixing, market sharing and various arrangement to control imports into developed market-economy countries. UNCTAD-V decided on counnued action to collect and disseminate information on such practices, and on measures which countries have taken to cope with them; to develop model laws to help developing countries formulate legislation in this field; and to prepare new studies about such practices, including those of transnationals, particularly in relation to marketing and distribution arrangements and exclusive dealing arrangements.

UNCTAD-V reaffirms a 1976 decision that states should take measures to eliminate or effectively deal with restrictive business practices, including those of transnational corporations, that are harmful to international trade and to their economic development.

On the recommendation of the president's contact group, the Conference on June 3 remitted to the "permanent machinery of UNCTAD" questions arising under other parts of its agenda item on manufactures and semi-manufactures: comprehensive measures required to expand and diversify the export trade of developing countries in manufactures and semi-manufactures; review and evaluation of the generalised system of preferences: and review of implementation of two conference resolutions [agenda items (11 (a) (c) and (d).]

Speaking for the Group of 77, Mexico expressed deepest disappointment, that after extensive negotiations and flexibility on the part of his group, agreement had been impossible. There had been a lack of political will on the part of the developed countries. Efforts must continue within UNCTAD; the Arusha Declaration was the proper basis for that work.

The United States said Group B had shown a positive attitude during negotiations and considerable flexibility. Group B was prepared to continue the discussion in a positive manner.

Flexible Application

International monetary reform: This resolution, which was adopted by a vote of 69 in favour to 17 against, with 13 abstentions, stresses the necessity "to apply conditionality in a flexible and appropriate manner, taking into account the domestic, social and political objectives, the economic priorities and the circumstances of members of the International Monetary Fund". Developing countries should be encouraged, the resoultion states, to have timely recourse to the fund's facilities and to avail themselves of a higher rate of utilisation of the fund's resources, including those in the upper credit tranches as well as the extended fund aud supplementary financing facilities. The conference recognises the rceent review of conditoinality undertaken by the fund's executive board and looks forward to the effective implementation of its decisions to increase flexibility in the application of conditionality.

Adjustment Programmes

The conference also emphasizes that the approach of the fund to adjustment programmes should seek to reconcile a country's short-run and long-run objectives and not be disruptive of development, and should take into account factors attributable to external elements beyond the control of the developing countries.

In an effort to examine the possibility of a source of medium-term balance-of-payments assistance, one provision of the resolution invites the IMF executive board "to undertake an in-depth study of the need for the establishment of a longer-term maturity facility at a substantial level of additional resources".

Moreover, the conference agreed that the existing compensatory financing facility should be improved and liberalised to compensate developing countries more fully for shortfalls of export earnings of developing countries.

Perhaps the most innovative feature of the resolution is the creation of an *ad hoc* intergovernmental hige-level group of experts within UNCTAD to examine fundamental issues in the field of international monetary policy.

Following the vote, group B said it could not associate itself with the resolution and that it should have been the subject of much further study. The Netherlands explained its abstention on the grounds that, while it recognised the importance of further discussion, it could accept the idea of the high-level group. Italy also abstained, seeing possible interference in the work of other bodies, whose autonomy should be respected. The United States was strongly opposed to the resolution and disturbed at the way it was passed. Given the wide gap in positions, it should have been remitted to the Trade and Development Board rather than put to a vote. Norway, which abstained, echoed the concern of Italy that infringement be avoided.

Transfer of Resources

With developed countries contributing less than half the internationally agreed target to development [only 0.3 per cent of Gross National Product (GNP) as against 0.7 per cent], the scene was set for a strong appeal for improved performance, and this was embodied in the first part of the resolution on this question. Among the measures suggested were interim plans to increase ODA at an agreed minimum rate, increasing aid budgets in real terms by an appropriate percentage each year, and setting aside at least one per cent of the increase in annual GNP. Developed donor countries were urged to announce their intentions on ODA in advance, where possible for a period of three years.

Emphasis was placed on improving the quality of ODA, for example. by making it available in the form of grants for the least developed countries and increasing the rate of concessionality for other recipient countries. The resolution instructed the UNCTAD committee on invisibles and financing related to trade to undertake monitoring of such measures.

As regards multilateral assistance, UNCTAD agreed on the need for a substantial general increase of the capital base for the World Bank and set out ways by which the World Bank and regional development banks could make optimal use of the resources of multilateral financial institutions—for example, by taking steps to avoid delays in implementation and disbursements.

The importance of private and other non-official flows to developing countries is stressed in the resolution. Access of developing countries to private capital markets should be facilitated. In the context of substantially increasing transfers of resources to developing countries, attention should be given to, among other things, multilateral guarantees for borrowing on international financial markets and for borrowing in significant measure under the guarantee of members of the international community.

Towards ODA Targets

Following adoption of the resolution by consensus, Belgium said it would have preferred to separate private flows from the rest of the resolution, while the Federal Republic of Germany emphasised the importance of developing countries promoting "predictability" in their investment environment in order to attract private flows. Group D said it did not wish, in supporting the consensus, to be identified with the neo-colonialist motives that guide capitalist countries. New Zealand, Austria, Australia and Finland said they were making efforts to advance towards the ODA target. The United States, on the other hand, said it had never accepted this measure of development assistance and does not contemplate doing so.

Three resolutions in the field of monetary and financial issues were forwarded to the UNCTAD permanent machinery. One, submitted on behalf of the Group of 77 by Cuba, dealt with the debt problems of developing countries, including measures to convert ODA debt into grants and to establish a framework within which future debt problems could be tackled before they become acute. The second resolution, also submitted by the Group of 77, was entitled "Effective system of international financial cooperation" and the third with the same sponsorship, concerned the establishment of a multilateral guarantee facility.

Industrial Property

The industrial property was subject of the first resolution adopted by the Conference on technology transfer. In this the UNCTAD asks that the concerns of developing countries be taken into account when the principal international instrument governing the international patent system—the Paris Convention for the Protection of Industrial Property—is revised at a meeting to be held at Geneva in February/March 1980. This diplomatic conference has been called by the World Intellectual Property Organization (WIPO).

An UNCTAD paper pointed out that previous revisions of this convention served mainly to strengthen the position of patent holders, who are mainly in the developed countries.

The resolution also gives UNCTAD's endorsement to the recommendations on trade marks prepared by an UNCTAD group of experts in 1977. Among other things, these call for continued consideration in WIPO of non-reciprocal preferential treatment for developing country nationals, as well as consideration of the possibility of national legislation to cancel trade marks violating the legitimate interests of consumers, producers and sellers.

Role of Trade Mark

The resolution concludes with a request for continued studies by the UNCTAD secretariat on the economic, commercial and developmental aspects of industrial property. Specifically, studies are called for on the impact of new patent and trade mark legislation on the development of Third World countries, and on "the role of trade mark protection in vital sector of the economy, in consumer protection and in promotion of exports".

Reverse transfer of technology (the "brain drain:") The conference suggested some steps which developed and developing countries might take to deal with the difficult problem, and calls for a series of studies to monitor the dimensions of the problem and suggest further ways of coping with it.

One of the recommendations addressed to developed nations relates to ways of stimulating money flows from skilled immigrant workers back to their countries of origin. The developed countries concerned are asked to "consider... measures related to social security, pension rights, currency control, tax policies and remittances, with a view to encouraging contributions to the economic development of developing countries".

On this point, the group B countries, except Turkey, stressed that these were matters within national competence and that their feasibility should be considered in the light of internal legislation and social policy.

As to the developing countries, the resolution suggests that they adapt their educational systems to development needs, promote collective self-reliance among themselves with a view to the planned and mutually advantageous use of human resources, and try to create "social, economic and other conditions designed to provide increased opportunities for satisfying employment for their skilled and professional personnel."

The international community as a whole is asked to "consider examining possible arrangements whereby developing countries experiencing large-scale outflows of their skilled professional which cause economic disruptions, could secure assistance in dealing with adjustment problems arising therefrom".

Brain Drain

As the brain-drain has many aspects of interest to various organisations, the United Nations Secretary-General is invited to decide on areas of competence within the United Nations system for dealing with these aspects. In the light of his decisions, the Trade and Development Board is asked to consider arrangements to examine the feasibility of measuring human resource flows.

The resolution singles out three specific areas of study by the UNCTAD secretariat, in collaboration with other agencies: the experience and policies of countries on both the sending and receiving ends of the flow, the modalities for bilateral and international co-operation, and the feasibility of a proposal for cooperative exchanges of skills among developing countries.

The resolution does not take a stand on the demands of deloping and other nations for some kind of compensation to the Third World countries that supply trained personnel to the developed world. But the issue was raised in the debates, when group D spoke favourably of "a steady approach towards eventual international recognition of the principle of compensation", while Group B maintained that the issue was too complex to be remedied by compensation.

International Strategy

Lines of action for an international strategy to boost the technological capacity of the Third World are spelled out in a resolution adopted by the conference. It includes suggestions for action by developing and developed countries and the world at large, along with a programme of studies and technical assistance to be carried out by UNCTAD. The resolution stresses the need for a coordinated approach to narrow the technology gap.

Among actions that individual developing countries might take, according to this text, are the formulation and implementation of technology plans as part of their national development strategies, as well as of policies and laws on the transfer and development of technology, the monitoring of imported technology to ensure that domestic inputs are used to the fullest, the establishment and strengthening of technology centres and similar institutions, and putting more resources into manpower training and research. Cooperative activities among developing countries are also suggested, including joint research and development efforts, harmonization of laws and practices, creation of institutions, and the establishment of preferential arrangements for technology transfer and development.

As to what developed countries can do, the resolution suggests that they act to give the developing world "the freest and fullest possible access to technologies whose transfer is subject to private discussions". The developed countries should also "endeavour, in accordance with national policies, laws and regulations, to provide possible incentives aimed at facilitating the transfer of technology from both their private and public sector enterprises to the developing countries". They should also consider providing resources to regional technology centres in the Third World and intensify support for other self-help efforts.

Technological Cooperation

All countries are urged to increase their cooperation with technological development assistance schemes and with technological research and development in fields relevant to the Third World needs.

The UNCTAD secretariat is given an enlarged role in this field, in cooperation with other United Nations organisations. One new line of activity will be the organisation of expert meetings on technology in food processing, energy, capital goods and industrial machinery. Basing themselves on secretariat studies, the experts are to identify problems and issues concerning the transfer, application and development of technology in these fields. Others studies, in fields yet to be selected, will analyse methods and propose instruments to strengthen the technological capacity of Third World countries.

Still other UNCTAD studies will be on such topics as the effects of legislation on technology transfer, technology extension services, and the possibilities of an increased involvement of small and medium-sized firms in technology transfer. Also, arrangements are to be explored for promoting coordinated technological research and development and similar activities in developing countries.

Transfer of Technology

The Conference urges international organisations and countries to contribute to UNCTAD's Advisory Service on Transfer of Technology, which responds to developing country requests for technical assistance in this field.

The UNCTAD Sectetary-General is asked to submit next year to the Trade and Development Board his proposals for an outline for an eventual strategy to transform the Third World technologically.

The UNCTAD secretariat estimates that the studies, meetings and technical assistance activities called for in this resolution would cost $1,424,400.

The countries of group B, except Turkey, said it was important to avoid duplication of United Nations work on this subject. They reserved judgement on the need and feasibility of convening expert groups on specific industrial sectors; they objected to any suggestion that the feasibility of setting up a technology fund should be studied; they felt it would be impractical to elaborate a global strategy for technological transformation; and they said their approval of the resolution did not imply a commitment to contribute financially to UNCTAD advisory services in this field.

Need for Coordination

Group D and Mongolia stressed the need for coordination in the United Nations-system on activities pertaining to technology. They expressed surprise at the size of the estimated cost of the UNCTAD programme.

Code of conduct on technology transfer : UNCTAD-V calls for a further attempt to reach agreement on unresolved issues that have so far hindered efforts to draft an international code of conduct on the transfer of technology. It decided that the United Nations conference which has been working on this code since last October should hold a second session in the last quarter of 1979 to complete work on the code.

Meanwhile, the president of that conference is asked to review the major outstanding issues and to try if possible to contribute to their resolution. In addition, a preparatory meeting is to be convened, preferably at least one month before the resumed session of the Conference, to review organisational aspects and recommend ways of making the negotiating process more efficient.

The conference dealing with the code met for four weeks at Geneva in October/November 1978 and agreed on some parts of a code, including provisions allowing special treatment for developing countries. The session resumed at Geneva for two weeks in February/March 1979 and advanced the work further. But a number of questions remain unsettled, including the legal character of the code—whether it should be voluntary or mandatory—and the machinery which is to implement it.

The chairman of negotiating group V pointed out to the Conference that the group had not been able to agree on substantive issues standing in the way of a code.

Lack of Progress

Groups B and D and the Group of 77 all expressed disappointment that UNCTAD-V had been unable to make progress on the substantive issues. The Group of 77 said the failure was due to the refusal of one group to examine any issue but one. Group B said the exchange of views at UNCTAD-V had been useful and would pave the way towards a satisfactory solution at the Geneva conference. Group B favoured a voluntary code of conduct coupled with effective international machinery.

Liner shipping : The Conference invites states to consider adhering to the 1974 Convention on a Code of Conduct for Liner Conferences, which contains specific provisions for the participation of developing countries in liner shipping. During the Manila session it became apparent that this instrument would soon enter into force, as the members of the European Economic Community, as well as the German Democratic Republic and the Soviet Union, announced plans to become parties to it.

The Conference urges the states adhering to this convention to facilitate application of the consultation mechinery of the code, which is aimed at bringing together liner conference (shipowner's organisations) and shippers' oragnisations to discuss such matters as freight rates and surcharges. It urges non-parties to encourage an equally effective pattern of consultation.

The resolution on this subject includes provisions aimed at enhancing the position of developing countries as both providers and users of liner shipping. To increase the competitiveness of their own fleets, it urges developing countries to pool information regionally on cargo movements and service requirements. To ensure a balance of interests between shipping lines and their customers, it urges developing countries to ensure the establishment or strengthening of national and regional shippers' organisations.

Implementing the Code

The UNCTAD secretrriat is requested to assist developing countries in putting the code into effect and to report periodically to the UNCTAD Committee on Shipping regarding experience in implementing the convention. It is also asked to update previous studies on the level and structure of liner conferance tariffs.

Participation of developing countries in world shipping : The Conference was unable to reach consensus on a text spelling out ways of enabling developing countries to obtain a larger share of the world's shipping tonnage. Instead, it adopted a resolution on this subject submitted by the Group of 77. The vote, by roll call, was 81 in favour to 22 against (group B), with 9 abstentions (Group D and Mangolia).

The resolution contains a set of principles for "equitable participation', in bulk shipping, and calls for a programme of studies by UNCATD to help developing countries create and expand their own shipping services. It also requests studies on the controversial issue of open-registry shipping.

Equitable Participation

Governments are called on "to take steps to ensure for developing countries equitable participation in the transport of all cargoes, and more specially bulk cargoes generated by their own foreign trade, by national vessels of the respective trading countries or by vessels otherwise operated by them".

The Conference recommends the application of three principles in this regard : first, there should be "equitable participation" for each pair of trading countries in regular bulk and refrigerated cargo transport. Second, in the case of other such cargoes not shipped on a regular basis, bilateral agreements should provide for equitable participation. Third, until the developing countries achieve an equitable share of world tonnage, shipping contracts between developed and developing countries should stipulate that the vessels of the Third World should carry "a substantial and increasing portion of cargoes'.

As another means of stimulating the development of Third World shipping in the framework of economic cooperation in developing countries, the UNCTAD Secretary-General is requested to call an intergovernmental meeting aimed at ensuring that developing country vessels should carry all bulk cargoes between Third World trading partners, as far as feasible.

The UNCTAD secretariat is asked to identify the movements of bulk cargoes between developing countries that might form the basis of joint fleet development within the Third World. It is also requested to produce several other studies on the possibility of expanding developing country fleets on specific trade routes, on controls exercised by transnational corporations over bulk movements of commodities, on ways of increasing the participation of developing countries in the refrigerated cargo trade, on guidelines for containerization and other shipping and port improvements and on ways to increase the air transport fleets of developing countries (in cooperation with ICAO).

The UNCTAD committee on shipping is asked to review the question of developing country participation in world shipping, and the development of their merchant fleets.

Call for Studies

Studies on open-registry shipping, with a view to eventual decisions by the Trade and Development Board, are also called for in this resolution. The UNCATD secretariat is asked to study "the repercussions of phasing out open registries, its economic and social impact on the economies of developing countries, its effect on world shipping, and how the phasing out of open registries would ensure simultaneous development of the merchant fleets of developing countries, with a view to taking a decision on the desirability of phasing out". It is also to study the feasibility of establishing a legal mechanism for regulating the operations of open-registry fleets. These studies would go to an intergovernmental working group which would submit its recommendations to the Trade and Development Board.

Group D, explaining the abstention of its members on this resolution, said shipping monopolies operated by transnational corporations under open-registry flags continued to expand.

Unilateral action on shipping policy could only lead to protectionism and restrictive business practices. UNCTAD should continue to seek a universal solution to the problem.

Competitive Environment

Group B said its members had voted against the resolution because the text was in direct opposition to the fully competitive environment which was an essential feature of the bulk market. Liberia said it supported the resolution on the understanding that it gave the UNCTAD secretariat a mandate to study the feasibility of establishing a legal mechanism to regulate open-registry fleets, but not a mandate to set up such a mechanism. Liberia would change its laws if open registry was proved to be detrimental to developing countries.

Ship financing and technical assistance : The Conference could not reach agreement on this subject in Nogotiating Group V. Instead, it voted approval of a resolution submitted by the Group of 77 proposing various ways of helping developing countries to obtain finance for their merchant fleets and calling for the extension of technical assistance in this field. The vote, by roll-call, was 91 in favour to none against, with 23 abstentions (group B).

In the area of financing, the resolution urges governments to consider Third World proposals at UNCTAD-V for easier financial terms for ship purchase. It requests governments and international financial institutions to help developing countries obtain access to ship financing, and it asks those institutions to provide such financing. It also seeks to encourage joint ventures by shipping companies of different countries, as a way of enabling developing nations to acquire vessels and expertise, and it requests the UNCTAD secretariat to establish a unit that would assist developing countries with feasibility studies for ship acquisition.

As to technical assistance, developed countries are asked to provide this form of aid and UNDP is invited to consider providing resources as well.

Lack of Consensus

Explaining the abstention of its members on this resolution, group B expressed regret that a decision by consensus had not been possible. The group strongly supported the principle of financial and technical assistance to help developing countries participate in bulk shipping, and had submitted a proposal to that effect. But group B members did not support the resolution that had been adopted because of its provisions on cargo sharing in the bulk trade.

The Netherlands, Norway and Sweden said that though they could not support the resolution, they favoured financial and technical assistance in this field.

Action programme : The conference decided to launch a comprehensive new programme of action for the least developed countries, and called for the provision of "much larger" flows of assistance to such countries.

The programme is to be in two parts :

"Phase I : An immediate effort to meet the critical situation of the least developed countries in the form of an immediate action programme (1979-81) of greatly expanded assistance for the least developed countries, aimed at (1) providing an immediate boost to their economies and immediate support for projects for the provision of the most pressing social needs, and (2) paving the way for much larger development efforts; and

"Phase II : a substantial new programme of action for the 1980s for the least developed countries, with the objective of transforming their economies towards self-sustained development and enabling them to provide at least internationally accepted minimum standards of nutrition, health, transport and communications, housing and education, as well as job opportunities to all their citizens, and particularly to the rural and urban poor."

Speeding up Aid

Phase 1, the text says, should include the provision of "greatly expanded resources" to speed existing assistance projects and implement new ones that can be executed quickly and bring immediate benefits. Phase II "will require support from donors for a much wider range of actions than have been typical of such flows in the past, and they will need to be provided under more flexible criteria and conditions. The latter phase would cover four main areas: structural change, social needs, transformational investments and emergency support.

Plans for the programme, according to the resolution, would be considered by a group of high-level experts to be convened by the UNCTAD Secretary-General late this year, at a special session of 'UNCTAD's Intergovernmental Group on the Least Developed Countries early in 1980, and by the Trade and Development Board. Then, the General Assembly would be invited to convene a United Nations conference on the least developed countries, to adopt the programme.

Increased Assistance

As to financial assistance, UNCTAD-V urged all donor countries which had not yet reached the United Nations target of official development assistance (ODA)—0.7 per cent of gross national product—"to increase effectively and substantially their ODA towards the target." It added that equitable efforts should be made by donor countries with a view to doubling as soon as possible the flow of ODA to the least developed countries." The quality of this aid should be improved by providing it as a general rule in the form of grants: when loans were made, they should be at high concessional rates."

In addition to financal assistance, the conference recommended special trade policy measures for the least developed nations so as to ensure or promote adequate markets for the expanded production which is the aim of the action programme. Such measures include trade preferences, steps to foster on-the-spot processing of raw materials and food products, and the possible temporary suspension of tariff and non-tariff barriers to those exports from least developed countries which are the targets of expansion projects. Measures relating to shipping and the transfer of technology are also recommended.

The resolution further calls for strengthened UNCTAD technical assistance and studies programmes, and urges that the secretariat unit dealing with the least developed countries be strengthened and given additional resources. Urgent consideration should be given to transforming it into a separate division.

The 31 states on the list of least developed countries approved by the general assembly are: Afghanistan, Bangladesh, Benin, Bhutan, Botswana, Burundi, Cape Verde, Central African Empire, Chad, Comoros, Democratic Yemen, Ethiopia, Gambia, Guinea; Haiti, Lao People's Democratic Republic; Lesotho, Malawi, Maldives, Mali, Nepal, Niger, Rwanda, Sikkim Somalia, Sudan, Uganda, United Republic of Tanzania, Upper Volta, Samoa and Yemen.

Financial Obligations

In a statement after the adoption of this resolution, group D expressed support for it, but reserved its members' position on the financial assistance clauses. The Group D countries could not assume any financial obligations towards the developing countries outside of their agreements with those countries.

The United States said it supported the objectives and most of the proposals contained in the resolution, and looked forward to participating in the new programme. But it had reservations about the paragraph on financial assistance: the United States was not ready to commit itself to specific targets.

The United Kingdom regretted that it could not join with other members of Group B in accepting new assistance commitments, as its new government was reviewing all public expenditures.

Special action for island developing countries: The conference set out a series of actions that the international community can take to offset the geographical and other handicaps of island countries in the Third World, and called on the UNCTAD secretariat and other parts of the United Nations system, as well as individual nations, to help.

The resolution adopted on this point lists practical steps in such areas as economic diversification, so as to lower these countries' vulnerability to economic instability; facilitating their access to foreign markets; support in their search for foreign investment; subsidization of inter-island transport; assistance for efforts to combat natural and man-made disasters; simplification of assistance procedures; inter-country cooperation and integration schemes; and greater use of their harbours and airports by international shipping and aviation.

Island Countries

The conference asked that the UNCTAD secretariat continue its work to assist island developing countries, and decided that the secretariat should co-operate with other institutions in co-ordinated studies of the common problems of island economies. These studies would then be considered by the governments concerned as a basis for follow-up action.

The United Nations Development Programme (UNDP), international development institutions and bilateral assistance institutions are requested to consider increasing their assistance to island developing countries, as well as their support for UNCTAD's work in this field.

In view of the importance of tourism as a major source of income, employment and foreign exchange for some of these countries, the conference invited the International Civil Aviation Organization (ICAO) to support their efforts to conclude mutually satisfactory air service agreements with national airlines.

Search for Capital

In reference to the point in the resolution urging support for the search for private capital in island countries, group D referred to a paper it had submitted on the negative impact of foreign capital.

Action for land-locked developing countries: The conference called for expanded international efforts to help developing countries without a seacoast, many of which are among the poorest of the world's nations.

In its resolution on this matter, UNCTAD-V lists the objectives of such aid: to reduce the costs of access to and from the sea and to world markets; to improve transit-transport service and to restructure the economies of the land-locked so as to overcome their geographical handicaps.

The conference reaffirmed that multilateral and bilateral financial institutions should intensify their efforts in raising the flow of resources for the development of this category of countries. It urged the international community to give strong financial and technical support for road, rail, inland waterway and airport construction in these countries; better communications links; and improved transit and port facilities. Another recommendation is that governments invite shipowners and insurers to establish freight rates and premiums which would encourage the expansion of exports from the land-locked countries.

The conference urged nations, particularly developed ones and others in a position to do so, to contribute to the recently-established United Nations Special Fund for land-locked Developing Countries.

The UNCTAD secretariat is asked to continue its work in this area through studies on the special economic problems of the land-looked, their transit-transport situation and their experiences in overcoming their difficulties. The UNDP is invited to consider increasing its aid to these nations.

Integrated Planning

The resolution stresses the need for integrated planning involving close co-operation between land-locked countries and the transit countries through which their trade passes. Among other things, it says that transit-transport infrastructure needs to be effectively improved in both land-locked and transit countries. It also declares that international organizations and financial institutions should give high priority in their assistance programmes to infrastructure projects.

Group B said it agreed with the resolution. However, it added, except for one country, the members of the group had consistently abstained in votes on General Assembly resolutions on the Special Fnnd for Land-looked Developing Countries. They wished to place their assistance throug other channels.

East-west, east-south trade: Without acting on them, th conference referred to th next regular session of th UNCTAD Trade and Development Board two draf resolutions on "trade relation among countries having different economic and social systems and all trade flows resulting therefrom".

East-West Trade

One text, submitted by th Soviet Union on behalf o group D (document TD(V) NG. VII/CRP. 1) calls fo expanded co-operation betwee partners in east-west trad and diversified trade flows i both directions; urges expanded trade between the socialis countries of eastern Europe and the developing countries and notes the willingness o the socialist countries to continue economic and technica co-operation with the developing countries.

A text submitted by Cub for the Group of 77 (documen TD(V)/NG. VII/CRP. 2) call for the adoption of a comprehensive programme o trade and economic relation among countries havin different systems. It cover such topics as expansion o preference schemes, payment arrangements, establishment o joint ventures and financia assistance.

In a decision adopted on thi subject (document TD/L. 176 submitted by the chairma of negotiating group VII, th conference also asks for furthe implementation of a resolutio on this subject adopted a UNCTAD IV [resolution 9 (IV) of May 31, 1976].

The representative of Chin said that the reservatio expressed by his governmen on the adoption of resolution 95 (IV) remained unchanged.

Economic cooperation among developing countries (ECDC) is seen as a key element in furthering the collective self-reliance of developing countries and its importance was underscored anew in the Ministerial Meeting of the Group of '77 held in Arusha, Tanzania, in preparation for UNCTAD-V.

Promoting Cooperation

The resolution adopted by the conference on this question points to the role that developed countries and the United Nations system, in particular UNCTAD, can play in the complex undertaking of promoting increased economic cooperation among developing countries at the sub-regional and inter-regional levels.

The conference recalls that ECDC is a "key element in the strategy of collective self-reliance and an essential instrument to promote structural changes contributing to a balanced and equitable process of global economic development wherein the developing countries will enhance cooperation with each other to increase each other's capabilities and to meet their development needs". It goes on to note that alone the developing countries could not attain their development objectives so that "concomitant action on the part of developed countries is required". Thus the resolution urges developed countries "to continue and intensify their contributions" to the full implementation of the relevant resolutions of the United Nations system.

Bilateral and multilateral development assistance programmes are also urged to take action to enable developing countries to participate effectively in the execution of bilateral and multilateral projects being carried out in developing countries "through the greatest possible use of their own capabilities".

Several provisions discuss the role of UNCTAD in ECDC, in recognition of the fact that a major part of support measures for ECDC within the United Nations system fall within UNCTAD's purview. The Conference agreed, in the light of UNCTAD's key role in ECDC, that these support activities should be improved and intensified and that UNCTAD should coordinate its activities more intensively with other members of the United Nations system and the regional economic commissions in order to improve the effectiveness of the relevant activities of the United Nations as a whole in this field.

Key Issue

In recent months a key issue has been the extent to which UNCTAD should organize and provide support for meetings of developing countries on ECDC. Group B countries, invoking the principle of universality, had expressed reservations about the convening of meetings in which participation would be limited to part of the UNCTAD membership. In the resolution adopted the Conference decided to convene a special session of UNCTAD committee on ECDC early in 1980 to assess UNCTAD's work and consider developing countries' proposals in certain key areas. In order to enable the regional groups, particularly the developing countries, to prepare for this important meeting, it asks the UNCTAD Secretary-General to provide the necessary technical suport for three meetings of government experts of developing countries in the four months preceding the special session. Meetings of government experts of other regional groups may also be held for this purpose.

Priority Areas

The resolution identifies a number of priority areas in which UNCTAD is asked to intensify its on-going work with the aim of submitting action-oriented proposals to the same meeting. These include: the elaboration, operation and maintenance of a trade information system regarding the foreign trade of developing countries; the preparation and updating of a handbook of state trading organizations of developing countries; provision of technical and other forms of assistance to projects for multinational marketing arrangements of developing countries; within UNCTAD's competence, provision of assistance for relevant aspects of monetary and financial cooperation among developing countries; analysis and identification of opportunities for the establisment and promotion of joint marketing ventures among developing countries; and intensification of activities, in collaboration with the United Nations Industrial Development Organization (UNIDO), leading to action-orientated conclusions in the field of multinational production enterprises among developing countries.

Group D found the commitments as to UNCTAD support for meetings rather unclear and said it would not be bound in so far as the shouldering of any resulting financial burden was concerned. The UNCTAD secretariat estimates the financial implications of the resolution as a whole at $1,581,700.

Rationalization of UNCTAD machinery: In a resolution aimed at improving UNCTAD's effectiveness and responsiveness, the conference establishes a committee "of limited duration" to consider, among other things, further adapting the permanent intergovernmental machinery of UNCTAD, "bearing in mind, in particular its increased activity as a negotiating forum" (document TD/L. 174 and corr. 1). This intergovernmental committee would report next year to the Trade and Development Board, which would consider any further action, "including, if necessary, the transmission of the report to a special session of the board".

Strengthening UNCTAD

The Conference also invites the General Assembly to act to strengthen UNCTAD, based among other things on "clear recognition of UNCTAD as a principle instrument of the General Assembly for negotiations on relevant areas of international trade and related issues of international economic cooperation", particularly in the context of the New International Economic Order.

The Conference asks for consultations between the UNCTAD Secretary-General and the United Nations Secretary-General concerning greater flexibility for UNCTAD in budgetary, financial and administrative matters. One subject of these consultations would be UNCTAD responsibility for recruitment and administration of staff to achieve, among other things, "an improvement in the representation of under-represented countries, especially the developing countries, particularly at the policy-making level.

Other provisions relate to length of UNCTAD meetings, reduction in the number of *ad hoc* groups, semi-annual meetings of the Trade and Development Board, and documentation. The Conference invites the UNCTAD Secretary-General to publish an annual report on UNCTAD's technical assistance activities and their financing and to ensure that regular consultations are held between the UNCTAD secretariat and the regionsl groups.

Use of the Arabic language: The conference recommends that the General Assembly, during its next regular session beginning in September, take steps to ensure that Arabic will have "full capacity" as an official and working language of UNCTAD, starting from January 1, 1980 (document TD/L.171). The UNCTAD Secretary-General is to submit cost estimates on this matter to the next Assembly session. Estimated staff costs for 1978-79 for Arabic interpretation, translation, typing and reproduction amount to $3,392,000 (document TD/L.171/add.1).

International Action

Exploitation of sea-bed resources: The Conference took a stand against any action by individual countries to adopt unilateral national legislation permitting the mining of the deep sea-bed. It requested all states to refrain from adopting such legislation until an international regime for the area is adopted by the third United Nations Conference on the Law of the Sea. It added that unilateral action "would not be recognized by the international community and would be invalid according to international law".

The resolution was submitted by Cuba on behalf of the Group of '77. It was adopted by a roll-call vote of 107 in favour to 9 against, with 13 abstentions.

Assistance to national liberation movements: The Conference, observing that "the peoples of Namibia, Palestine, South Africa and Zimbabwe are still living under colonial domination or foreign occupation", requests the UNCTAD Secretary-General "to initiate studies within the competence of UNCTAD, as regards those peoples and countries".

Mutual Collaboration

This would be done in collaboration with their respective national liberation movements recognized by regional intergovernmental organizations. The Secretary-General was asked to report periodically to the Trade and Development Board.

This resolution was submitted by Cuba on behalf of the Group of 77. It was adopted by a roll-call vote of 91 in favour to 16 against with 14 abstentions.

The resolution was opposed by the nine members of the EEC, which said in a Joint statement that they deplored the introduction of questions foreign to UNCTAD. Also opposing it were Israel, which called it a politically motivated proposal by the Palestine Liberation Organisation (PLO), the United States, which said it called into question the legitimacy of Israel and South Africa, and Canada, which objected that it raised a political issue. The latter point was also made by Chile, Costa Rica and El Salvador, which abstained in the vote.

Among the supporters of the text, Iraq said it fell within UNCTAD's mandate, since Zionism, South Africa and the racist Rhodesian regime cooperated with transnational corporations in exploiting the resources of developing countries.

Hateful Exploitation

Syria described the practices of the "Zionist entity" as the most "hateful exploitation that mankind has ever known". The Group D States and Romania explained their favourable votes by recalling their support for the liberation struggle in Africa and for the rights of the Palestinians.

Brazil, Jamaica and Mexico—all supporters of the proposal as a whole—voiced doubts or reservations about the way it linked peoples under colonial domination or foreign occupation.

Transport problems of Zaire The Conference invited the UNCTAD secretariat to support the Economic Commission for Africa on studies on Zaire's problems of transport, transit and access to foreign markets and on measures to reduce the high transport costs of its foreign trade.

Economic situations of Djibouti and Tonga: UNCTAD-V urgently appealed to United Nations members to provide the East African country of Djibouti and the Pacific nation of Tonga with the financial, technical and economic assistance they need to overcome their "very serious difficulties". It recommended that the two be included in the United Nations list of least developed countries (which now included 31 nations without them). This would entitle them to special consideration in various United Nations programmes.

The resolution on Tonga was submitted by Cuba on behalf of the Group of 77, and we adopted by a vote of 85 in favour to none against, with 20 abstentions.

The resolution on Djibouti was submitted by the Chairman of Negotiating Group VI and was adopted by a vote of 88 in favour to none against, with 23 abstentions.

Eliminating Discrimination

Protectionism in transport, banking and insurance: The Conference called on the developed countries 'to eliminate all discriminatory and unfair practices in the services sector, and in particular in transport, banking and insurance, employed against the developing countries". It added that particular attention should be given to the discriminatory practice whereby two developed countries make an exclusive arrangement on passenger air fares. It requested the UNCTAD Secretary-General to analyse "the effects of the discriminatory and unfair civil aviation practices employed by the developed countries, on the growth of air transports including air cargo and tourism, in developing countries".

The resolution was submitted by Cuba on behalf of the Group of 77, and was adopted by a roll-call vote of 91 in favour to 23 against (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Federal Republic of Germany, Greece, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States), with 1 abstention (Turkey).

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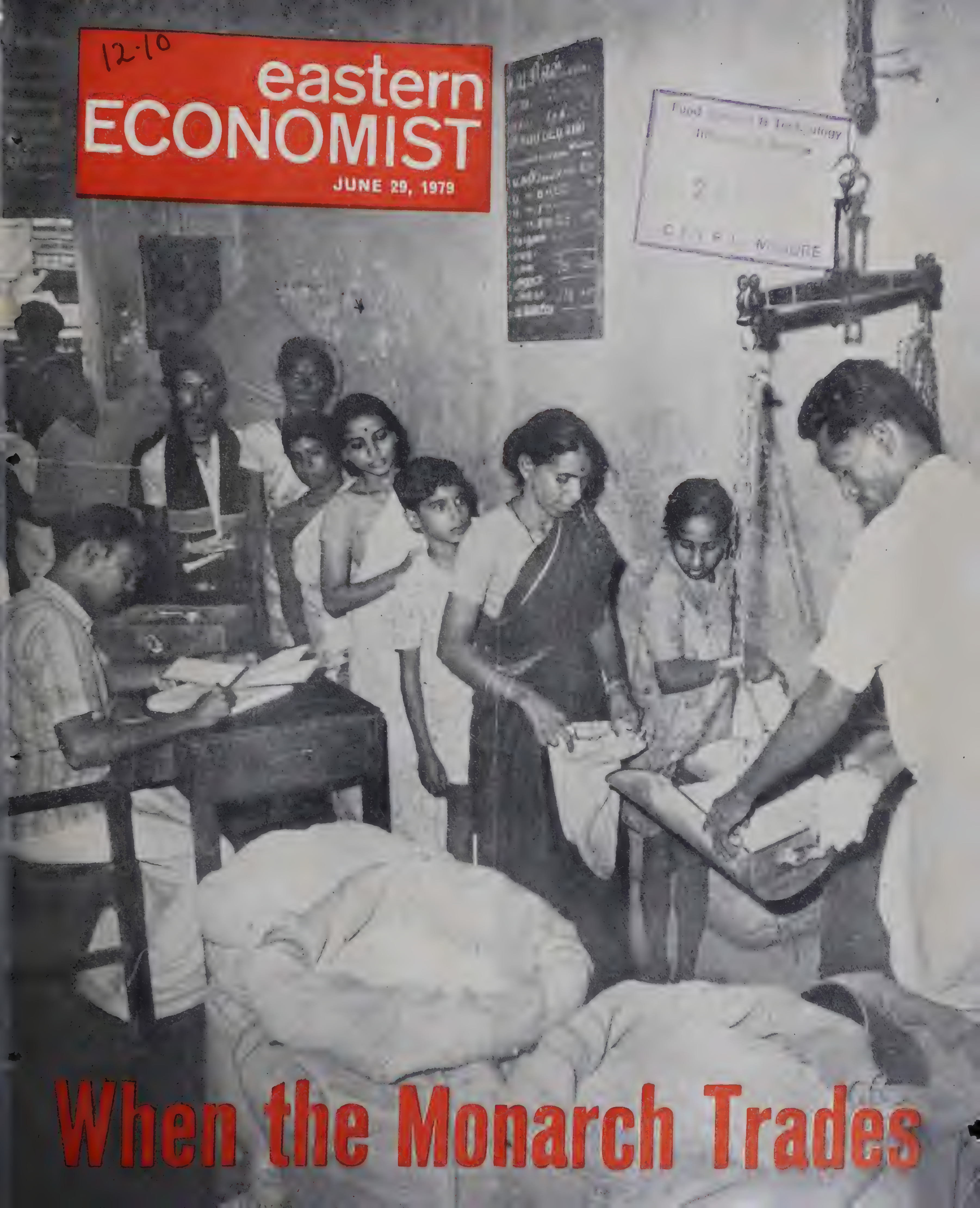

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Self before society?

THE PRICES continue to spiral. During the week ending June 9—the latest period for which data is available—the wholesale prices index (base 1970-71 = 100) crossed the 200-mark and stood at 200.6, showing an increase of 6.7 per cent over the pre-central budget level and of 8.7 per cent over the level 12 months earlier. Compared to the previous week, the index was higher by 0.8 per cent.

The uptrend in prices, which started soon after the presentation of the central budget on February 28, no doubt, has been aggravated in no small measure due to such factors as the seasonal influences, the hike effected in oil prices by the OPEC, the sizeable expansion in the money supply with the public, the distortions injected into the economy by the bottlenecks in rail transport, the serious setbacks to the production of coal and generation of power, the increases allowed in the prices of several basic industrial raw materials, the delay in the on-set of the monsoon, etc. But the contribution of the fall-out of the present political situation in the country and the gradual erosion of respect for law too does not appear to be insignificant. The recent agitation by policemen, which has now spread to three other uniformed forces of the country—the Central Reserve Police (CRP) the Central Industrial Security Force (CISF) and the Railway Protection Force (RPF) is an abundant manifestation of this.

May be, the policemen took to agitational approach owing to the feeling that there had been delay in the redressal of their grievances—several of which, of course, were not unjustified. But the other three uniformed forces following the footsteps of policemen was hardly justified because not only the rationalisation of the emoluments and service conditions of policemen would have automatically led to steps at improvement of the lot of the CRP, the CISF and the RPF, but also the government itself had indicated that it was looking into the matter. The way the government has been yielding to the pressure techniques of the organised sectors of our economy in regard to wages and emoluments probably has created an impression that redressal of grievances can be quickened by go-slow tactics and strikes in utter disregard of the repercussions they might have on the society as a whole.

True, any section which has got some bargaining position will try to protect its living standards. But if only sectional interests are to be allowed to have their sway, the consequences can be very undesirable in the long run. The organised sectors of our work-force need to bestow some thought on this. They, indeed, can have some short-term gains because of their bargaining strength. Yet, in the long-run, their fortunes unquestionably cannot be unrelated to the general conditions in the country.

Similarly, the unscrupulous among businessmen and other walks of life appear to be becoming fearless of the authority. The advice Mr Morarji Desai gave to the nation when he stressed that the people should become fearless did not imply that the respect for the law should be dispensed with. Fearlessness- according to him, was necessary for resisting perpetration of wrongs by anybody, including the governmental machinery. But the result of this advice seems to have been quite the contrary. Self-discipline among the business community, specially at the retail trade, is lacking to a great extent. Arbitrary increases in prices are being effected at this level even when the supplies are satisfactory. An indication of this was available in Bombay a few days ago when cigarette prices were jacked up on an average by 15 per cent over the manufacturers' listed prices. Malpractices in administration too have grown significantly.

It remains to be seen whether it will be possible to contain the price spiral without some discipline all round. It does not amount to advocating of what happened during the emergency. Yet the governmental machinery, particularly at the state level, has to assert itself in a greater measure than is the case at present. Self-discipline on the part of the politicians themselves can yield wholesome results. Mr James Callaghan warned the trade unions in Britain a few days ago that they should not use their industrial muscle to attempt to bring down the conservative government, but to leave opposition to the Labour party in parliament. Our politicians too need this advice. But will they heed to it?

Anti-inflation measures

MEANWHILE, CONCERNED at the continuing deterioration in the price situation, the government has already initiated several measures to arrest the uptrend in prices. These include moderation of the money supply with the public, liberalisation of imports, containment of governmental expenditure (particularly the non-productive expenditure), and attempts at mitigating the rigours of transportation bottlenecks and shortages of power and coal. The public distribution network, which in the initial stages will cover 13 commodities—wheat, wheat products, rice, coarse grains, processed oil, kerosene, controlled cloth, common varieties of cheap cloth, matches, toilet and washing soap, exercise books, tea and coffee—is being expanded with effect from July 1.

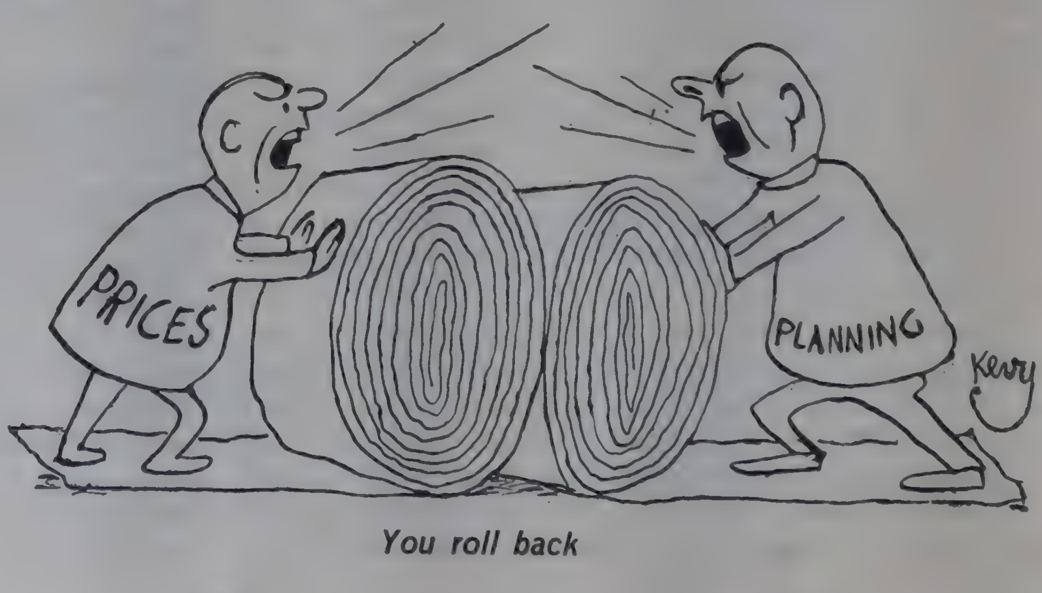
The credit restraint introduced by the Reserve Bank of India with the onset of the current slack season is claimed to have already yielded some results. Despite the advances for the procurement of foodgrains having gone up by nearly Rs 561 crores during the six weeks to June 9, the overall advance portfolio of banks had increased in this period by only Rs 440 crores. Indications are that while adequate credit will be made available for productive purposes, the overall expansion in money supply will be moderated by curtailing credit for other purposes. It, however, remains to be seen how far the state governments will be able to fend for themselves without resort to overdrafts on the Reserve Bank, especially when their resources have come under strain owing to increased benefit that they have been obliged to grant to their staff, including the police force. If they fail to do so, the monetary policy, surely, cannot have the desired results.

So, strict discipline is called for on the part of the government, particularly in respect of its administrative and non-plan expenditure. In so far as the central government is concerned, a five-point plan has been drawn up by the ministry of Finance. The measures envisaged are: (i) no additional budget provision shall be agreed to unless a specific assurance for considering such provision has been given at the time of finalising the original budget; (ii) re-appropriation of expenditure from Plan to non-plan heads will be completely banned; (iii) no additional posts are to be sanctioned except when they are matched by equivalent savings by surrender of other posts (this of course, does not apply to the entirely new organisations the need for which has been specifically accepted); (iv) additional allotment of funds will not be allowed to the ministries or departments, particularly under such heads as telephone charges, provision of petrol, etc; and (v) accountability will be fixed with attendant consequences for delays in the implementation of projects and schemes.

Imports of steel, cement and several other commodities have been liberalised significantly to bridge the gap between demand and supplies from domestic sources. Exports of the items of mass consumption are also being restricted or banned. These are having some effect as indicated by the uptrend in steel prices not only being arrested but also reversed to some extent.

The recent shortages of coal and power, which have particularly affected the industrial complexes of West Bengal and Maharashtra, however, have their own implications for the economy. The situation in respect of hydel power should improve considerably with the onset of the rainy season. But the easing of the thermal power supply depends largely on how expeditiously coal output is stepped up and transport bottlenecks removed. The colliery workers, indeed, have recently struck a hard bargain. They should now rise to the occasion. The progress till lately has not been commensurate. Not much improvement also is yet in evidence in the operations of the railways though they have been given a shock treatment. The steps being taken to improve the situation on these fronts, of course, include augmentation of capacities, close monitoring of the implementation of the new projects as well as of the existing operations, fostering of coordination between the concerned ministries, etc.

The central government also has sought to involve the states and union territories



You roll back

in the drive against inflation. In a communication sent to them, they have been advised to set up special courts to try economic offenders who might be responsible for price hikes.

The crucial issues of granting bonus to railwaymen and the raising of the price of coal are expected to be decided upon shortly. If the observations of the prime minister at his last week's press conference are any indication, the decision on the bonus issue might be in the negative as legal pundits too have come up with the objection that giving bonus to any single government department, be it primarily of the nature of a commercial undertaking, would be violative of the Constitution. A hike in the price of coal, though justified in the interest of containing the burden of subsidies on the central exchequer, is bound to have serious complications on fuel costs.

The issue of the fixation of the procurement prices for kharif grains, particularly paddy, is also yet to be decided. The Agricultural Prices Commission has suggested the stepping up of the procurement price for the common varieties of paddy by five rupees per quintal. But the Planning Commission is reported to have expressed itself against this step in the interest of containing the price spiral.

Trade deficit widens

THE REVISED figures of our external trade now available suggest that in spite of the many handicaps from which our exports suffered last year—global recessionary trends, serious decline in the unit value realisations of such important items as tea, coffee, pepper and oilcakes, the depreciation of the rupee in relation to several foreign currencies, transportation bottlenecks, congestion at ports, go-slow and strike by dock workers, jute mills' strike, etc.—the performance on this front has not been dismal. It has been in line with the expectation of the central minister for Commerce, Mr Mohan Dharia, who had indicated a couple of months ago that exports in 1978-79 might show an improvement of 4.5/5 per cent over the previous year.

The revised estimate puts the last year's export earnings at Rs 5,618.26 crores—Rs 74.26 crores more than the provisional figure of Rs 5,544 crores. Compared to the revised figure for the 1977-78 exports (Rs 5,375.46 crores), it is higher by Rs 242.80 crores.

The revised estimate puts the imports last year at Rs 6,703.89 crores, Rs 97.62 crores more than the provisional estimate of Rs 6,606.27 crores and Rs 676.33 crores higher than the revised estimate of Rs 6,027.56 crores for 1977-78. The trade deficit thus, has widened to Rs 1,085.63 crores from the provisionally assessed level of Rs 1,062.27 crores.

At Rs 1,085.63 crores, the trade deficit last year was still substantially lower not only than the record deficit of Rs 1,228.52 crores in 1975-76 but also than the 1974-75 adverse balance of Rs 1,189.95 crores. The substantially larger import bill of last year, the official circles opine, has been caused primarily by higher costs of imported petroleum products and increased imports of fertilisers.

The current year is stated to have started on a heartening note in so far as exports are concerned. In continuation of the steady uptrend witnessed from December onwards, export earnings during April have been provisionally placed at Rs 464.04 crores—approximately seven per cent more than the provisional estimate of April 1978 exports of Rs. 432.68 crores. Imports in April also went up by about Rs 34 crores over the April 1978 provisional figure.

Although the rigours of some of the factors which adversely affected exports last year are reported to be softening—the congestion at ports, for instance, has somewhat eased and the world prices of tea, coffee and jute goods have shown some improvement lately—yet the current year is likely to witness some further deterioration in the overall trade deficit. This is due to the fact that the oil imports bills this year is now expected to go up by about Rs 900 crores and larger imports will have to be effected of several other essential items such as steel, non-ferrous metals, cement, fertilizers, etc. Imports of machinery and equipment too may go up. The improvement in exports is not likely to fully off-set the mounting imports.

More dollars from jute

THE GOVERNMENT of India has taken the right decision in sponsoring a delegation to visit the USA shortly to explore the prospects for augmenting the exports of jute goods. Recent developments in the jute industry have created a great deal of uncertainty in that country about our ability to supply the goods according to specifications and within the scheduled periods. The prolonged strike by bargemen, followed by the strike by jute mill workers, disruption in the Calcutta port, the severe power cuts and, above all, import of gunny bags from Bangladesh in the teeth of strong opposition from the industry and from the government of West Bengal—all these have hurt our reputation as a reliable source of supply. The USA has been a major market for our jute goods, accounting for 188,000 tonnes in 1977-78, valued at Rs 91.03 crores. But in the next year, there was a decline in shipments to 86,400 tonnes, the value realised being Rs 43.61 crores.

Led by Mr S.K. Sarkar, Joint Secretary, central Industry ministry, the delegation will consist of Mr R.N. Chakraborty, Deputy Jute Commissioner; Mr K.K. Kanoria, IJMA chairman; Mr K.K. Bagaria, IJMA deputy chairman; Mr Lalit Toolsidas, chairman of the Calcutta Jute Fabrics Shippers' Association and Mr J.P. Goenka. But why has the Deputy Jute Commissioner been included instead of the Jute Commissioner, Mr S.K. Palit ?

Business Standard reported, in its issue of June 6, that Mr Palit had resigned and that resignation had been accepted by the central Industry minister. The report added that Mr Palit would go back to his parent cadre in Orissa and that Mr Fernandes was getting in touch with the government of West Bengal for finding a successor to

Mr Palit. But the *Economic Times*, in its issue of June 13, denied the news about Mr Palit's resignation. The paper said that Mr Palit, who was on leave in Bhubaneswar, would resume his duty as Jute Commissioner in the third week of June. It quoted Mr Palit as having said that his job was "very challenging" and that he was trying to do his best.

At the annual meeting of the Calcutta Jute Fabrics Shippers Association, held in January this year, Mr Lalit Toolsidas, the chairman, paid a warm tribute to Mr Palit by saying that he was not only "totally familiar with the vast and intricate problems of the jute economy" but also "a source of great inspiration to all of us". Mr Toolsidas placed on record "our deep appreciation of the assistance and cooperation which we received from him". At annual meetings and similar occasions, the exchange of mutual compliments on a generous scale is quite common. So far as Mr Palit is concerned, it remains to be seen to what extent he will continue to enjoy the full confidence of Udyog Bhavan.

Whether Mr Palit stays on in his post or not, the time has come for the central ministry of Industry to reorganise the Jute Commissioner's office to make it more effective. Many of the industry's present difficulties would not have arisen, or at least their impact would have been far less, if the Jute Commissioner's office had maintained eternal vigilance and kept close liaison with the industry. For instance, what role did the Jute Commissioner play in influencing New Delhi's decision to import gunny bags from Bangladesh ? Why did he distrust the industry's ability to supply all the requirements of the DGSD ? Or, was this decision taken against his advice ? If New Delhi wanted to replace Mr Palit, it should have done it in the proper manner so that his successor could have been included in the delegation to the USA. The Jute Commissioner's office will have to play an important role in implementing the recommendations of the delegation and therefore his presence in the USA would have enabled him to study the market conditions on the spot.

The dollar area accounted for 35.9 per cent of the total exports of jute goods in 1950-51. In 1970-71, its share was 38.4 per cent. By 1976-77, however, this percentage declined to 10.3. Synthetics have been making rapid headway in the American market. The delegation will have to study the impact of the high prices of petroleum on the competitiveness of synthetics vis-a-vis jute goods. The delegation will have to analyse the trends in the American economy and the prospects for the various categories of jute goods and make appropriate recommendations. In recent years, several jute delegations had gone to the USA, but proper action has not been taken on their findings and suggestions. It is hoped that New Delhi will give serious consideration to the report of the proposed delegation.

Eastern Economist 30 Years Ago

JULY 1, 1949

While defending the government's policy regarding exports and imports, the Commerce Minister put forward the other day an argument, which seemed to him quite invincible, that the unfavourable balance of trade in so far as it was the result of heavy expenditure on the import of capital and essential goods, represented the measure of India's capital and industrial development and "as such augurs well for the future." This is a line of reasoning which appears unexceptionable, relying as it does on the general assumption that the import of machinery and capital goods, being themselves not articles entering into current consumption, should inevitably make for higher production and employment, in the long if not in the short run, and thereby increase the nationat income of the country. India has, in 1948-49, been allowed to import "machinery" to the extent of Rs 76.65 crores, accounting for 15 per cent of the total value of her imports and representing a 50 per cent increase over the value of machinery imported in 1947-48, despite the widening gap in our balance of payments. While it is all to the good that our trade policy is not tied to any narrow considerations of short-term safety to the prejudice of more vital advantages, it apparently has not occurred to the government that even liberal imports of machinery may, except when they are directly linked to the achieving of production, fail to accomplish the virtuous aim to which this policy is directed.

NRD bonds and capital gains

THE LAST week's announcement by the government of India about the issuance of National Rural Development (NRD) Bonds completes the procedure relating to the modification effected by the deputy prime minister (Finance), Mr Charan Singh, in this year's budget about the taxation of capital gains. In his original budget proposals, Mr Charan Singh had withdrawn the exemption from income-tax allowed on long-term capital gains by his predecessor, Mr H. M. Patel, two years ago if the sale proceeds of any assets were reinvested within a specified period in certain preferred assets such as fixed deposits with nationalised banks, units of the Unit Trust of India, certain categories of shares, etc., on the consideration that as they accrued largely through no effort on the part of the asset-owners, their exemption from income-tax conferred an undue advantage on the owners vis-a-vis income-earners.

Subsequently while moving the Finance Bill for the consideration of parliament, he, however had modified this proposal taking cognizance of the fact that non-exemption of capital gains from income-tax even if they were re-invested in the preferred and approved assets would help in the generation of unaccounted money. He, therefore, had provided that the long-term capital gains arising after February 28, 1979, would be granted exemption from income-tax if the entire sale proceeds, net of the expenses incurred on the sale, were invested within six months in the seven-year National Rural Development Bonds.

These bonds, which will bear interest at the rate of 7.5 per cent per annum will be on tap from July 9, 1979. They will be issued at Rs 100 per cent from the date of tender of application. Interest will be paid annually on the completion of each period of 12 calendar months from the date of the issue of bonds. Together with the interest on other government securities and income from approved financial assets, it will be exempt from income-tax subject to a limit of Rs 3,000 per annum and also subject to other provisions of Section 80-L of the Income-tax Act, 1961. The value of these bonds together with the value of other government securities and approved financial assets will also qualify for exemption under Section 5 of the wealth tax act up to Rs 150,000.

Although as a result of investing their capital gains, the assessees who sell their assets will be at a disadvantage compared to the position available in the last two years, as the return on the National Rural Development Bonds allowed is much lower than could be had from investments in bank deposits, Mr Charan Singh justified this on the ground that those deriving capital gains ought to make "some sacrifice" for rural development. He, however, has made a very significant provision in the new scheme which should help in the utilisation of the funds invested on the bonds by the earners of capital gains even prior to the maturity of the bonds. The bonds are to be issued in the form of stock certificates which will be transferable.

Paper from Bagasse

THE SOUTHERN region is emerging as an important producer of paper and boards and newsprint. If all the schemes now under implementation and contemplation take shape in the next four years, the installed capacity will be doubled to 6.5 lakh tonnes annually. Even now the region is accounting for over 30 per cent of total production in the country and before the end of the year, two new mills in Andhra Pradesh, with a capability of nearly 70,000 tonnes, are scheduled to be commissioned in the joint and private sectors. The required bamboo and soft woods are available from the nearby forest regions. Karnataka too has a prestigeous project of Mysore Paper Mill costing over Rs 100 crores. On its execution, this company's capacity for manufacturing paper and boards will increase by 13,000 tonnes to 27,000 tonnes, while the newsprint unit will have the capability of yielding 75,000 tonnes.

In Kerala, another newsprint mill is under construction in the public sector at a cost of Rs 130 crores with a similar capacity. The raw materials to be used by both mills will be bamboo, soft woods, etahreed and other conventional raw materials, though there is a proposal for promoting a sugar mill in the Mysore Paper Mill complex for using bagasse as substitute raw material.

In Tamil Nadu as well, an ambitious project is being formulated in the public sector by the state government with technical assistance provided by Seshasayee Paper and Board. The raw material used will be mainly bagasse and only a small percentage of chemical pulp will be mixed for imparting necessary texture and strength to newsprint. With a view to getting balanced production and improving viability, the capacity for newsprint will be 83,000 tonnes and paper and boards 17,000 tonnes.

It has been roughly estimated that bagasse from 15 tonnes of cane will be required for every tonne of pulp and for every three tonnes of bagasse roughly one tonne of coal will be required. The needs of sugar mills in terms of coal for raising steam in place of bagasse as fuel have been estimated at 1.5 lakh tonnes, while the newsprint mill itself may be requiring two lakh tonnes of coal of fairly good quality. Having regard to the fact that the lead involved in transferring bamboo and softwoods from forest areas will be eliminated and the movement of bagasse from nearby cluster of factories will not present any major transport problem, the movement of 3.5 lakh tonnes of coal annually cannot present any difficulties. The need for granting soft-loans to the sugar mills for installing boilers or granting the required assistance to newsprint mill for erecting the same boilers in the premises of sugar mills has been recognised, while the question of incentives for encouraging the use of bagasse as substitute raw material is being discussed. Already it has been stated

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that there will be full rebate from excise duty for paper produced with 100 per cent bagasse. This facility would have to be provided even if 75 per cent bagasse pulp is used for manufacturing newsprint.

The manufacture of paper and boards has been successfully undertaken by Mandya National Paper Mills and Seshasayee Paper and Board. But the difficulty has related to the assured supply of coal or furnace oil to sugar mills for parting with bagasse. The arrangement of Seshasayee Paper with a sugar mill for exchange of bagasse for furnace oil was discontinued because the economics of working was adversely affected by rising cost and the relief in excise duty for paper containing bagasse pulp in some proportion was inadequate.

It is now unthinkable that furnace oil can be used in place of bagasse for firing the boilers in sugar mills. Coal supplies have to be assured on a defined basis to the sugar mills and paper producers, if need be through the creation of dumps. Even assuming that Karnataka is more remote from the collieries than sugar mills in Tamil Nadu and Andhra Pradesh, bagasse supplies will be available in the latter two states in quantities sufficient for six lakh tonnes of paper.

unsuitable location

It, of course, may be argued that the entire quantity of bagasse may not be utilisable because of the unsuitable location of some sugar factories. Even so about four lakh tonnes of paper and newsprint can be manufactured on an assured basis and the quantity increased progressively in the light of expanding capacity of the existing and new sugar mills. The consumption of coal by sugar and paper mills for manufacturing additionally four lakh tonnes of paper and newsprint will be about 1.5 million tonnes, costing roughly Rs 30 crores or Rs 40 crores even allowing for an escalation in cost and freight charges. The value of paper produced exclusive of excise duty will be approximately Rs 160 crores. Raw material supplies will be available on a regenerating basis if bagasse is accepted as the basic material. Even the grant of loans on soft terms can be considered for improving the viability of the projects apart from differential rates of excise duty.

With an acute shortage of forest produce competing with needs of producers of cellulosic fibres, a bold policy for producing bagasse-based paper and newsprint has to be initiated, especially as the scope for future developments is immense. Only about 35 per cent of cane production is handled by sugar mills in the whole country and there is bound to be an increase in this proportion as years pass by with larger consumption of sugar. Imaginative decisions are, therefore, called for.

Sabotage at Santaldih

THE CHIEF minister of West Bengal, Mr Jyoti Basu, disclosed on June 12 that the third power unit of 120 MW at Santaldih could not be commissioned on June 6 because of sabotage. He explained that on June 5, an inter-panel cable was found to have been cut into two in order to delay the commissioning of the unit. Investigations conducted by the experts of the intelligence branch and the state electricity board confirmed that the cable had been deliberately damaged by people with technical experience. Mr Basu said that this was "a clear case of sabotage". He recalled that last year also there was a similar instance when an iron rod had been inserted into a sensitive equipment at Santaldih.

It is indeed amazing that when West Bengal has been passing through a serious power crisis, generation should be affected by wanton acts of sabotage. It is likely that, in addition to the above two instances, there have been other cases of sabotage which have not been clearly established. What steps are being taken by the state government to prevent their recurrence?

The state government ought to explain whether it had identified the persons who were responsible for the sabotage committed last year and what specific action was taken against them. It should take a serious view of the second case of clear sabotage and tell the public how it is proposed to deal with the offenders. The state electricity board employees' union has said that this report of sabotage is baseless and that the board and the power department are trying to cover up their inefficiency. The state electricity board workers' union has said that the report is "a cooked-up story" and has demanded an enquiry. The chief minister; therefore, should take the public into confidence and disclose all the facts that led to the delay in the commissioning of the third Santaldih unit.

It is well known that inter-union rivalry has been one of the major causes for the present power crisis. Inadequate supply of coal and its inferior quality as well as technical defects of the plants and lack of coordination among the different agencies have also contributed to the situation. But, surely, it is a matter of great concern if generation is disrupted by planned sabotage. West Bengal's budget for 1979-80 has allotted Rs 164 crores for the power sector as compared to Rs 116 crores in 1978-79 and Rs 110 crores in 1977-78. But of what use are such large allocations if sabotage is allowed to take place with impunity and the government is unable or unwilling to take drastic action to deal with it?

Meanwhile, load shedding in June continues to take place as erratically and extensively as in the previous months.

Charan Singh has been authorised to decide the BLD group strategy

Industrial associations have drawn attention to the heavy fall in production, diversion of orders to other states, loss of export business and disruption of industrial harmony and efficiency. But Mr. George Fernandes, the cantral Industry minister, who visited Calcutta on June 14, gave "a clean chit" to the United Front government for handling the power problem. He declared that the power shortage had been caused because of the mismanagement by the Congress government. It is indeed surprising that during his stay in Calcutta, the minister did not think it necessary to meet the representatives of industrial associations and ascertain to what extent their production was affected by the power crisis and what steps the central government could take in the short period to provide relief to industries. The attention of the minister was drawn to the hardships faced by small-scale industries due to the inadequate allotments of raw materials like steel, scrap, soda ash, sulphuric acid and yarn. It was pointed out that the steel allotment amounted only to 6,600 tonnes against the requirements of 46,000 tonnes. The minister promised to look into these difficulties. Even if the small industries got all the raw materials they wanted, it remains to be seen how far they will be able to use them to the best advantage in the absence of sufficient power.

MGR an inch taller

THE VICTORY of the Congress-I candidate in the Thanjavur by-election in Tamil Nadu over the DMK candidate by a comfortable majority has no special significance for Mrs Gandhi in her present sad plight. The Tamil Nadu chief minister, Mr M. G. Ramachandran, however, may feel highly comforted over the outcome of the by-elections in both Thanjavur and Nagapattinam because the DMK has been routed in its stronghold in Thanjavur while the CPI candidate has won over the AIADMK rival by only a small margin having regard to the massive turnout in both constituencies.

The Congress-I candidate had been well chosen and the favourable trend in voting was due to his quiet and dignified stature as well as the swing of voters from the DMK to AIADMK. While the ruling party in the Tamil Nadu legislature has lost one seat, it has gained considerably in prestige and the politically engineered troubles on the farm front and in the textile mills may not recur. The agitation by farmers in Tamil Nadu is not wholly justified though the problems of cultivation in this state are somewhat peculiar and costs are higher, because of a heavier wage bill and the use of lift irrigation facilities over vast areas. But the state government has been supplying power on a highly subsidised basis apart from affording relief in respect of repayment of debts, interest payments, use of pesticides and the like.

The strike in the textile mills too was politically motivated as labour is better paid in Tamil Nadu than in other centres, though it has been claimed that workers are achieving a higher level of productivity and are entitled to a better deal. But there is no reason why they should interrupt production for several weeks and heighten scarcity of supplies of yarn.

While the AIADMK party may feel more confident and function more decisively henceforth, the developments in the neighbouring states have great significance as portending a new polarisation of political forces. What will happen in Kerala in the next few months is anybody's guess ? After the humiliating defeat suffered by the ruling United Front in the recent by-elections in which it lost three of its seats and declined alarmingly in popularity, there is infighting in the party. There is, however, no danger of the front being unable to function in the legislature as it has still a comfortable majority with 83 seats against the opposition's 56. It may be necessary, all the same, to effect readjustments in representation of several units in the cabinet with the Kerala Congress and the Muslim legislators becoming strategically more important.

The new developments in Karnataka too forebode ill to Congress-I and if Devraj Urs turns out to be another Sharad Pawar, the southern region may be able to exert greater influence in the shaping up of centre's policies which are new considered anti-south in some respect. Dr Chenna Reddy, Andhra Pradesh chief minister, is also not feeling assured and developments in Andhra Pradesh will be influenced by happenings in Karanataka and Kerala. Given goodwill and understanding, the four southern states can come closer and attempt to find satisfactory solutions for common problems.

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Saving the Havana summit

THE UNDERSTANDING reached between the Yugoslav president, Marshal Tito, and the Indian prime minister, Mr Morarji Desai, during their talks at the Brioni island resort of the former, that they should attend the summit of the non-aligned nations in Havana in September shows their concern over the possibility of the non-aligned movement being split by divisive forces. Earlier, president Tito was reported to be disinclined to attend the Havana summit because of the strained relations between Yugoslavia and Cuba. The Indian prime minister had indicated that it might not be possible for him to take part in this summit if the move of the Arab and the other Muslim nations opposed to the Egypt-Israeli peace treaty to exclude Cairo from the summit succeeded at the meeting of the coordination bureau of the non-aligned nations, held in Colombo early this month. The Colombo meet, however, found the Arab move and also the differences of opinion on the representation of Pol Pot regime at the Havana summit too big for it to cope with. The situation was saved through a decision to refer the two issues to the summit.

The anxiety of the Yugoslav president and the Indian prime minister to save the non-aligned movement from disruption emanates not only from the two countries, along with Egypt, being the founder-members of the movement but also owing to the importance of the movement for the preservation and consolidation of the independence of smaller nations and it having emerged over the years as an effective instrument for shaping the economic destinies of the non-aligned.

On the Egyptian issue, there has been a close identity of views between the Yugoslav president and the Indian prime minister. Both are of the opinion that piecemeal agreements will not result in a lasting solution of the west Asian tangle. Ultimately, the settlement will have to be on the basis of the vacation of Arab territories by Israel and an agreement on the Palestinian question. On the Kampuchean issue, while Yugoslavia favours that China should withdraw its troops from Vietnam and Hanoi should call back its forces from Kampuchea, the Indian stand has been that the new regime in Pnom Penh cannot be officially recognised until it has demonstrably established its effective authority over the entire territory of Kampuchea. In view of this, the Indian government has been extremely circumspect in responding or reacting to the demand for the exclusion of Pol Pot regime from the Havana summit in favour of a delegation from the new regime.

In the joint communique issued at the end of Mr Desai's visit to Yugoslavia a few days ago, the two sides have stressed that the genuine character of the non-aligned movement could be maintained only by strict adherence to its basic principles and objectives and resolving differences among the non-aligned bilaterally. They have suggested that the issue of restructuring the global economy for the benefit of the under-developed, which has been somewhat over-shadowed by the internal squabbles of the non-aligned, should be made the main thrust of the Havana meet. As a result of the differing economic growths of the non-aligned countries in the recent years, a good deal of complementarity has come to exist amongst the economies of the developing nations which was not the case in the 1950s. They, therefore, are now in a position to share their expertise to mutual benefit and this can provide support for the consolidation of the unity of the non-aligned.

Both Yugoslavia and India have stressed the significance of the non-aligned movement as a positive and independent factor in international relations. They would like its character to be retained—free of all power bloc rivalries and influences.

Exchange floats

THE PRESENT system of floating, or semi-floating exchange rates has come in for scathing criticism by the Governor of the Bank of England, Mr Gordan Richardson. Although he has expressed doubts about the efficacy of this system in the past also, he had never gone to the extent to which he went while delivering the Henry Thornton lecture at the City University, London, a fortnight ago.

The recent experience, Mr Richardson observed, suggested that attempts at adjusting the economic performance of different countries through flexible exchange rates had serious limitations. The primary reason for this was that exchange rates fluctuated on a far shorter time scale than that required to make fundamental adjustments possible. The statistics were not reliable enough for taking corrective action in the short run. Invariably, efficient industries were hit as much as the inefficient ones.

Mr Richardson felt that central bankers could obtain more stability on the exchange markets only if there were coordinated international policies and broadly consistent domestic policies. This pattern, he said, had started developing. The increasing resort to summit diplomacy and the collaborative measures of November 1, 1978, could be seen as steps towards greater coordination and compatibility of individual economic management and exchange rate policies between regions or major powers.

In this context he reiterated his cautious commendation of the oblectives of the European monetary system. The emergence of this system, he stressed, was an atttempt at achieving greater regional exchange rate stability which ultimately should make a significant contribution to the world's reserve assets problem.

The Bank of England Governor also suggested that contrary to the recent experience in some countries, exchange rate and domestic monetary policies could be used in a complementary manner rather than a competitive manner. He advocated widespread coordination of economic and financial strategies by the major powers. He saw in this the best hope for the international economy. Such coordination may comprise the most realistic framework in which the international economy and polity of the late twentieth century can survive, and perhaps ultimately again thrive," he said. "In attempting to reduce inflationary expectations and inflationary wage settlements, the declared constraints of an exchange rate and a monetary or credit target can often usefully reinforce each other", he added.

The above observations of Mr Richardson undoubtedly deserve pertinent note. But it needs to be pointed out that the aspirations of the developing nations also have to be given due weight in evolving a new world economic order. The deliberations of the Manila round of UNCTAD is an evidence of how the developed countries are slow in appreciating the needs of the developing world both in respect of trade and other requirements of development.

Turmoil in Afghanistan

THE JOINT statement signed by the Indian prime minister, Mr Morarji Desai, and the Soviet president, Mr Leonid Brezhnev, at the conclusion of the recent visit of the Soviet Union, declared their opposition of any interference in the internal affairs of Afghanistan in the context of the present turmoil and conflict between various forces within that country. The obvious reference was to the assistance being received by the Muslim hardliners in Afghanistan from their supporters in neighbouring Pakistan. Conditions exist in Afghanisthnn where trouble can be created from across the border by inciting those who have been deprived of their economic power and religious prestige following the reforms carried out by the Taraki administration.

Perhaps the most important measure is land reform. Agriculture is the dominant sector of the economy of Afghanistan, accounting for over 50 per cent of the Gross National Product and providing employment to more than 80 per cent of the population. Until recently the landless peasants constituted half of the rural population and occupied tiny plots of land covering nearly half of the cultivable land in the country. The big landowners, who comprised only five per cent of the rural population, controlled the remaining half of the cultivable land. Many of their holdings ran over hundreds and thousands of hectares.

Daoud's failure

Although the Mohammed Daoud government, which came to power after the overthrow of the monarchy in 1973, promulgated in August, 1975 a land reform law, virtually none of the provisions of this law was carried out. Against this background, the present government has taken bold measures in respect of land reforms.

Another important measure has been taken in respect of rural indebtedness. The Revolutionary Council's decree issued last summer annulled or substantially reduced the peasants' debts to professional mony-lenders and landowners and returned to them the land pledged as security, including the holdings to which ownership rights had already been lost. Through this measure alone more than 75 per cent of the peasants had their debt burden eased.

Some progress has been made in the matter of establishing cooperatives in the countryside. Special ordinances have been issued setting up mutual aid funds. Peasants with insufficient land are encouraged to form marketing and credit cooperatives. As these experiments are new for most of the cultivators, some resistance is natural before the idea becomes popular.

The land reforms law introduced last winter sets the limit for family holdings at six to 60 hectares, depending on the quality of the land. All surplus land holdings that previously belonged to members of the royal family, and former state lands that had been illegally acquired at various times by private owners are being taken over by the state without any compensation. On the area thus freed, agricultural cooperatives are to be organised. The remaining area is being distributed free of charge among the landless and small peasants and poor nomad cattle herders in lots ranging from one to 10 hectares. Provision has been made for equal and fair distribution of water too.

To protect the new settlers against exploitation, land is not allowed to be used as security for loans nor can it be leased, sold or divided among heirs. All state credit and agricultural organisations are required to provide peasants, who have received land under the reform, with loans, farm implements, seed and fertilizers on easy terms.

Such radical measures have naturally evoked fierce resistance on the part of the feudal landowning elements and the religions leaders, who are said to have been among the active participants in the recent uprising in Herat.

Preventing brain drain

Two countries—Turkey and the Philippines—have initiated action-oriented programmes to prevent brain drain from their countries.

In Turkey, an innovative technical co-operation scheme involving the return of Turkish expatriate professionals for short consultancies at institutions in their homeland was undertaken a couple of years ago in order to attract highly trained Turkish technicians even for short duration. During 1977 and 1978, a total of 72 expatriate Turkish professionals carried out 91 consultancies averaging 24 days in duration. The contultants advised on technical problems in fields ranging from solar and nuclear energy to earthquake-prediction and chemical engineering. They received no salaries, but their travel costs were met by the UNDP, while Turkish host organizations provided modest honoraria in accordance with their regulations.

Starting with highly skilled individuals motivated to serve their homeland, the scheme is "supply" rather than "demand" oriented and can thus result in meeting the needs for specialised inputs not previously identified. Having succeeded abroad, the distinguished expatriate has an aura of respectability back home which facilitates skill transfer. In this process costs are kept down; the psychological reward which consultants derive from helping their homeland makes them willing to work for short periods without their normal financial remuneration. The expatriate's cultural affinity enables him or her to transfer and adapt a skill or technology acquired abroad more effectively than could an industrialised country expert brought up in a different environment.

continuing process

The transfer of know-how can become a continuing process. After returning to their countries of residence, consultants often maintain contact with the institutions visited. This occurs through correspondence and provision of technical literature, as well as by arranging for local officials to visit their enterprises on fellowship training or study tours. The project offers migrating professionals, who would like to help their country of origin, a point of entry into its professional and social life. At the same time, it promotes institutional linkages and provides the recipient country with a permanent pool of knowledge upon which to draw at relatively low cost.

In the Philippines, the programme stresses the prevention of brain drain and mobilisation of health manpower to serve the rural population. Under this experiment, the candidates for the medical course are nominated by the village council, which meets the expenditure of the students. In turn, the students are made to sign a contract of service, two years for every year of training. Failure to abide by the contract would make the student liable for criminal prosecution. The pilot programme, initiated in 1976 in Leyte, the home province of the first lady of the Philippines, Mrs Imelda Marcos, will turn out the first batch of full-fledged doctors in 1982.

It was revealed in a study undertaken by a world organisation that about 140,000 doctors were working outside their native countries and that about £ 700 million a year were being spent on training medical students who would eventually emigrate. Developing countries such as India, Pakistan, the Philippines and the West Indies supplied a sizeable portion of their medical manpower to advanced countries.

To check this exodus of medical men, the Institute of Health Services was set up by the Ministry of Health in cooperation with the University of Philippines. A ladder type curriculum consisting of five levels with frequent exposure of the students to the community was drawn up by experts from various disciplines of knowledge. The Institute of Health Services is essentially a medical school except that its programme thrusts, including its curriculum and admission policies and procedure, are radically different from those found in the traditional medical colleges. The students at the institute are drawn mostly from the depressed communities. To quality for admission, a student should come from a target community in the region, that is, a community known to be badly in need of a health worker. Students do not apply on their own but are nominated by the community from where they come. To be a nominee, the student must be a high school graduate and a resident of the area for at least one year prior to nomination.

Cheaper medicines in South Pacific

Five countries of the South Pacific—Fiji, Papua-New Guinea, Samoa, Solomon Islands and Tonga—have agreed to make bulk purchases of essential drugs in order to keep the prices of medicines low. In this programme they are being assisted by the WHO's "Joint Pharmaceutical Service for the South Pacific" which seek out the least expensive sources of drugs identified as basic to their needs. Together, the five countries currently spend $3 million per year on pharmaceuticals. This figure is expected to go up to $5 million by 1985. Purchases are made from Europe, with delivery taking from nine months to a year, bringing serious problems of expiry, or from Australia, which can make speedier deliveries, but where costs are three to five times higher.

These countries will also cooperate in marketing, storage, distribution and quality control of the drugs purchased. Because the countries are small, with low populations, development of their own individual pharmaceutical industries has not been found practicable.

The pharmaceutical sector has been identified by developing countries and several international agencies as an area for joint action to bring about greater self-reliance. Drug costs often represent as much as 40 to 60 per cent of a developing country's health budget, but developing countries are responsible for only some 10 per cent of the world's pharmaceutical output, which is more than $50,000 million a year.

transnational influence

Fortyfive developing countries manufacture no pharmaceuticals at all, while, 43 others have only simple packaging and formulating industries. There are seven which have the basis for a pharmaceutical industry and here too most production is in the hands of transnational companies, which hold from 85 to 90 per cent of drug patents. Another problem developing countries have experienced is the importation of drugs of questionable value or unsuitable for meeting the health needs of the majority of their populations. Also of concern is the lack of research to develop medicines useful in preventing and treating the most common ailments in the developing countries.

The strategy evolved by the United Nations system to help developing countries deal with these problems has four basic elements. In the first instance, WHO's approach is to identify a short list of essential drugs needed by the majority of a country's population, in an effort to reduce the purchase of expensive and non-essential drugs. Second, UNCTAD is promoting the bulk purchase of drugs to reduce prices. In the third place, UNIDO is furthering the creation of local drug industries closely suited to the socio-economic conditions in a country, where small-scale appropriate technologies and traditional herbs can be used. Lastly, UNCTAD is developing policies and legislation for developing countries on transfer of technology and foreign investment.

Rent control in developing countries

A DETAILED analysis of the nature, practice and results of rent control in 39 developing countries, carried out recently under the aegis of the United Nations Centre for Human Settlements, has revealed some important facts. It was for the first time that the subject had been addressed on a world-wide basis. Owing to the very localized nature of the subject, it presented many legal intricacies which had to be translated and interpreted to form the basis of the study. Luckily, the centre had the invaluable collaboration of very knowledgeable lawyers in Africa, Asia and Latin America who made the preparation of the report a feasible and useful project for the benefit of governments in developing countries.

The study shows how widely rent control has been adopted by developing countries and how frequently it has been enacted without due consideration for the existing housing policies, thus, creating blatant contradictions. For example, rent control legislation has generally produced effects contrary to the principle goal of integrated housing policies, namely, to make more dwelling units available to households which need them.

The report analyses innovative modifications introduced over the years. Examples which extend beyond the usual conceptualisation include Honduras where the authorization of higher rates of return to landlords of rented premises built of local rather than imported building materials provides incentives consonant with that country's balance of payments policies. Rent indexation has been adopted in Argentina, Brazil and Uruguay to counter the ravaging effects high inflation rates have had on landlords of rent controlled premises in these countries. In Argentina Iraq, Lebanon and Uruguay, grounds for the recovery of premises include cases where landlords replace crumbling tenements by new and taller buildings. This policy is designed to help counter urban sprawl tendencies which result in lower densities and, therefore, higher servicing costs.

Sri Lanka is encouraging property improvements to take place by means of large loan programmes earmarked for repairs and by legislation which has to-date enabled some 2,000 tenants to purchase their premises. Panama has adopted a grass-roots approach of community organisation which makes it possible for rent legislation to reach even the lowest income tenant groups residing in slums and squatter settlements.

It is obvious that rent control undertaken without imaginative changes in legislation cannot prove useful to the society over a long-term period, though in the short run it appears to be attractive for the tenants.

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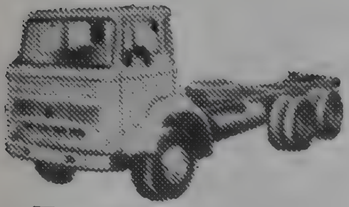
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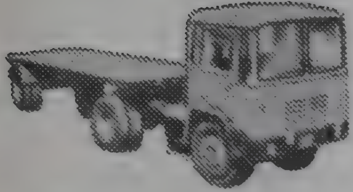
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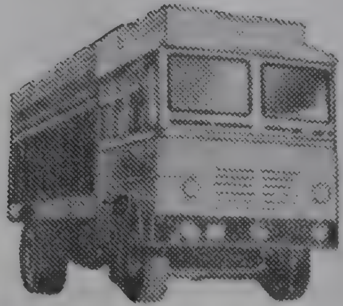
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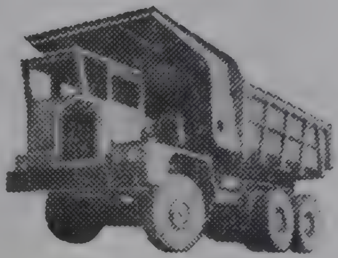
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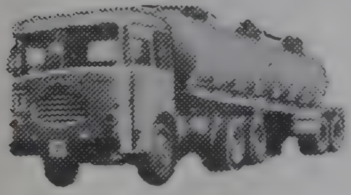
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Cover feature

When the monarch trades

The scheme drawn up by the central ministry of Commerce and Civil Supplies recently to expand the public distribution system in the country is being launched on July 1. Under it, the fair-price/ration shops are envisaged to be increased to 3,35,000/3,50,000 from 2,41,255 in existence last year. The aim is that every village or a group of villages having a population of 2,000 has a fair-price shop. In the remote and inaccessible areas, particularly the tribal belts and the hilly terrains, the population coverage per fair-price shop is to be even less—say, 1,000.

The programme has came in for scathing criticism at the hands of the private trade which sees in it attempts at displacing private distributive mechanism. In this feature, Mr S. Kumar Dev goes into the rationale behind the scheme and also tries to meet some of the objections raised against the enlargement of the public distribution network. He has expressed the view that the fear of the private trade that it might be displaced by the expansion of the public distribution system are not justified. He has stressed that it would be actually in the interest of the government to enlist the cooperation of private trade in running the enlarged programme. Otherwise, it will find that it has tried to bite more than it can chew.

To begin with, the scheme will cover 13 items of mass consumption, several of which are already being supplied through the fair-price shops. It is proposed to expand the coverage gradually, but that will depend on how successfully the supplies can be ensured, either through raising the domestic production or effecting imports. Owing to the inadequacy of domestic output and the difficulties of arranging imports, pulses have not been included in the programme. Salt also has been kept out because there are difficulties of ensuring its supplies in the remoter areas, primarily due to transportation bottlenecks. To ensure that the system works satisfactorily attempts are being made to set up storage facilities at the taluka level.

The scheme, however, appears to have run into some difficulties at the very outset, for the deputy prime minister (F), Mr Charan Singh, is reported to have rejected the plea of the state governments to make available central credit for it. He is said to have stressed that the need for moderating expansion in the money supply with the public and containing budgetary deficit do not warrant any further draft on the resources available to the central government. The state governments, therefore, will have to find the resources needed for the expansion of the network of the fair-price shops in their areas from their own sources.

Some eminent economists too have expressed doubt about the successful functioning of the scheme, specially in the periods of shortages. They fear that it may not be possible for the government to ensure adequate supplies to fair-price shops when shortages of essential commodities occur. The minister for Commerce and Civil Supplies, Mr Mohan Dharia, however, has emphasised that a fair trial ought to be given to the programme.

WITH THE rising trend in prices, the government's case for introducing an expanded public distribution system linked with the production of essential items has been strengthened. The main objective of public distribution of essential commodities over the years has been that important consumer items of daily use should be available at reasonable prices to the public, especially the poorer sections. Indeed, until a few years ago, there were shortages of some items of mass consumption, especially foodgrains, and the public distribution system, whatever the complaints against it, stood the people in good stead by providing them at fair prices not only wheat, rice and coarse grains (when available), but also sugar, until it was decontrolled last August, standard cloth and soft coke.

But all this changed over two years ago—there were, for instance, plentiful supplies of foodgrains—and the rare phenomenon of price stability prevailed in this country until March this year. It was in this rather inappropriate context that the production-cum-distribution scheme in respect of selected essential commodities was conceived and formulated by the present government. This seemed odd as the *raison d'etre* for public distribution, which is the shortage and high prices of these items, did not exist. Therefore, the government's move to expand the scope of the public distribution system was criticised by the business community which argued that, if anything, there was a case for reducing the scale of operations of the system.

The government, however, maintained that the increasing purchasing power of the people, thanks to a succession of good agricultural harvests, the growth of population and the greater emphasis on employment-oriented programmes would lead to increasing demand for essential commodities and price stability hinged on meeting the growing demand. It said that experience had shown that the imposition of control on prices and distribution did not provide proper and lasting solutions to the problem of shortages. The government felt that any administrative device designed to keep the prices of essential items artificially depressed would tend to divert investment from priority sectors to less essential fields of production.

The public distribution scheme can succeed if there are no shortages of the commodities covered, in which case it becomes redundant. In case of shortages, it might not succeed and might defeat its very purpose.

Prof. M. L. Dantwala.
(At a recent seminar in Bombay).

Accordingly the government came to the conclusion that there should be an expanded public distribution system supported by adequate production facilities. The National Development Council, which met in March 1978 and approved the draft sixth Plan, adopted a resolution "while commending the emphasis in the Plan document on the minimum needs programme, recognised that the public distribution system covering essential articles of mass consumption needs to be expanded and strengthened without any delay". Now with prices rising at a disconcerting pace, there is added justification for the government to launch the enlarged public distribution scheme on July 1.

The essential features of the scheme that has been drawn up by the centre and generally approved by the states are :

(a) adequate production of essential commodities by the concerned ministries or departments of the central government as well as the state governments;

(b) expansion of coverage, particularly in rural areas, to ensure that every village or group of villages having a population of 2,000 and above has a fair price shop; in remote and inaccessible areas, particularly the tribal belts, the population coverage for a village or a cluster of villages would be less, say, 1,000;

(c) extension of commodity coverage to include edible oils and selected manufactured articles of mass consumption;

(d) in operating the distribution system as much use as possible is to be made of privately-owned fair price shops subject to their acceptance of the code of discipline; preference may, however, be given to retail outlets set up by the cooperative sector and other public agencies;

(e) procurement and buffer-stocking of the identified commodities by public agencies; for this purpose stocking-cum-distribution centres will be located in each state or union territory;

(f) establishment of consumers' committees with local public participation to ensure the quality of supplies and their availability at fair price shops,

better service to consumers and elimination of malpractices; and

(g) strengthening of monitoring and information systems by the state governments to keep constant check on production and availability of essential commodities, and to take necessary corrective action well in time.

For the successful operation of a permanent distribution system, the close involvement of the state governments is essential. To facilitate this, the relative roles of the centre and the states have been demarcated. The responsibility of the centre will be confined to measures necessary for price stabilisation, buffer-stocking and import organisation. On their part, the state governments will be responsible for the distribution of essential commodities through approved retail outlets and opening additional outlets.

There is a section of opinion which considers the elaborate production-cum-distribution system as unnecessary notwithstanding the price increase because of the two new weapons in the government's armoury with which it can meet the requirements of the nation and hold the prices of essential commodities down, namely, the sizeable buffer stock of food and the large foreign exchange reserve. But would it be realistic to assume that the efficacy of these weapons would not diminish ? True, Indian agriculture is now less susceptible to the vagaries of nature, but its good performance is still largely dependent on adequate rains. Therefore, the buffer stock of food may be run down if there are two successive droughts.

As regards the foreign exchange accumulations, the World Bank is not at all exaggerating when it says in its report on the Indian economic situation that these constitute "a temporary phenomenon". The import bill is mounting rather disquietingly and the growth of exports has slowed down resulting in a widening trade gap. If, on top of this, the inflow of remittances from Indians abroad declines—a possibility which should not be ruled out because of political uncertainty in some of the west Asian countries—the comfortable foreign exchange position can dramatically change. India has had this experience before. It ran through its enormous sterling balances very rapidly in the mid-fifties and was faced with a serious foreign exchange crisis in 1957.

The business community's objection to the production-cum-distribution scheme rests on various grounds. Among the questions it has raised are : (a) can the public

What they will deal in ?

To begin with, the public distribution scheme will cover 13 items of mass consumption: wheat, wheat products, rice, coarse grains, processed oils, kerosene, controlled cloth, common varieties of cheap cloth, matches, toilet and washing soap, exercise books, tea and coffee. Wheat and wheat products, rice, coarse grains, controlled cloth, kerosene and edible oils are already covered by the public distribution system. The state governments have been pressing for the inclusion of several more items in the scheme, but they have not been included in it as yet as the government does not want to take up the responsibility for the distribution of items the supply of which cannot be fully ensured for one reason or the other—inadequate production, difficulties of effecting imports, transportation bottlenecks, etc. The non-inclusion of pulses and salt is attributed to these factors.

Priority is envisaged to be accorded in the state plans to raise the production of items included in the scheme. Indigenous supplies are also proposed to be augmented, if necessary through imports.

Charan Singh rejects states' plea

The deputy prime minister (F), Mr Charan Singh, is said to have rejected the plea of state governments for adequate central credit for the smooth running of the public distribution system. He has stressed that the system should be financed by the states from their own resources; there cannot be any additional draft on the centre on this account.

The state ministers of Civil Supplies had made the above plea at a meeting called by the minister for Commerce and Civil Supplies, Mr Mohan Dharia, a few weeks ago. They had also demanded that the differential rate of interest scheme should be made applicable to the credit for the rural outlets for public distribution.

The rejection of the states' plea for assistance by Mr Charan Singh may create some difficulties for the smooth functioning of the scheme, but it is not entirely unjustified in view of the need for moderating expansion in the money supply with the public. It remains to be seen whether the state governments will be able to spare adequate resources for making the programme a success.

distribution system compete with the private distributive mechanism in respect of efficiency and service ? (b) whether it is preferable to augment production leaving pricing to the forces of demand and supply rather than involving government in the distributive trade in the face of numerous other and more pressing pre-occupations ? (c) can public distribution effectively correct the maladjustments arising out of cost inflation and shortfall in supply relatively to demand ? and (d) whether the lessons even within the limited sphere of its operations so far warrant further extension of the system ? These are pertinent questions and the answers to most of them are in the negative.

It is well known that the public distribution system has been kept going through heavy subsidisation. In the current year's budget, a provision of Rs 560 crores has been made for food subsidy which includes the payments to the Food Corporation of India (FCI) on account of reimbursement of the difference between the economic cost of foodgrains and their issue price. Thus, the subsidy in the case of wheat in 1978-79 worked out to Rs 23.39 per quintal. The subsidy is actually more because the FCI is also paid the cost of carrying the buffer stock and it is a matter of public knowledge that its handling charges are on the high side. The private trade can manage with considerably less charges.

Godowns are being set up at the taluka level to see that supplies of essential commodities are maintained at the public distribution outlets.

Mohan Dharia.

The business community is concerned about the impact of the new scheme on employment in private trade. It fears that this will lead to large-scale displacement of traders. It is roughly estimated that about 14 million persons are engaged in trade in our country. In other words (taking into consideration the family norm of five), nearly 70 million people are dependent on trade for their livelihood. The private trade, however, should not forget that the greater emphasis on employment generation will have desirable consequences from its point of view. The Indian market today, though potentialy large, is

The Super Bazar in New Delhi.

actually small. But as more and more people join the ranks of the employed, the market will widen. This will result in an upswing in the demand for goods, particularly essential commodities. In a vast country such as ours the growing demand cannot be met effectively without the help of private trade.

Wholesale and retail trade together generated over 12.2 per cent of national income in 1975 as against 9.2 per cent in 1961-62. In the past 15 years the increase in income generated by trade was to the tune of Rs 6,029 crores. The trade sector grew by 466 per cent in this period as compared to the increase of 355 per cent in national income. During the last five years the expansion in rural trade was to the extent of 149.44 per cent and that of urban trade 125.22 per cent. These figures indicate that private trade is widening its activities in rural India. However, the urban sector accounts for 72 per cent of income generated by trade as a whole.

	Income generated (Rs crores)	Percentage share
Rural	2059	28.12
Urban	5264	71.88
All-India Total	7323	100.00

To conclude, it appears that the fear of private trade that it might be displaced by the expansion of the public distribution system is not justified. It would be actually in the interest of the government to enlist the cooperation of private trade in running the enlarged public distribution system. Otherwise, it will find that it has tried to bite more than it can chew.

Number of Fair Price Ration Shops and Population Covered by them in 1978

State	Number of fair price shops	Population covered (in lakhs)	As on
States			
Andhra Pradesh	22,153	435.0	30.11.78
Assam	13,039	163.3	31.7.78
Bihar	27,109	632.3	31.10.78
Gujarat	8,956	325.5	31.10.78
Haryana	4,361	120.0	30.11.78
Himachal Pradesh	2,765	37.3	31.8.78
Jammu & Kashmir	1,167	41.9	31.8.77
Karnataka	14,642	293.0	30.9.78
Kerala	11,813	226.0	30.6.78
Madhya Pradesh	16,540	439.0	31.10.78
Maharashtra	27,553	579.0	30.9.78
Manipur	435	13.5	31.10.78
Meghalaya	1,398	15.9	30.9.78
Nagaland	38	1.1	31.8.78
Orissa	11,203	196.2	30.9.78
Punjab	11,834	167.9	31.7.78
Rajasthan	9,236	286.1	31.8.78
Sikkim	12	0.2	31.3.78
Tamil Nadu	9,850	490.8	30.10.78
Tripura	654	18.0	31.5.78
Uttar Pradesh	25,086	929.5	31.8 78
West Bengal	17,858*	519.0*	31.8.78
Total	**237,702**	**5930.5**	
Union Territory			
A. & N. Islands	181	2.0	31.10.78
Arunachal Pradesh	110	1,5	30.9.78
Chandigarh	141	4.1	30.11,78
Delhi	2,193	54.6	30.10.78
D. & N. Haveli	24	0.8	30.11.78
Goa, Daman & Diu	393	10.3	30.11.78
Lakshadweep	21	0.4	30.9.78
Mizoram	314	4.2	30.11.78
Pondicherry	176	6.1	30.11.78
Total	**3,553**	**84.0**	
Total All India	241,255	6,014.5	

* Includes 2,717 ration shops in statutory rationing areas covering a population of 95.0 lakhs.

(Source :Department of Food, Ministry of Agriculture and Irrigation)

DICs : sound and fury

Subhash J. Rele

The scheme of district industries centres has come a cropper, say the author, not because the concept is bad but because of over-bureaucratisation and political interference. A more flexible and imaginative set up has been demanded by entreprenuers who want non-official participation at the district level committees.

THE EUPHORIA deliberately created over the district industries centres (DICs) has vanished in thin air in less than a year's time and today ominous questions are being asked about the need for this agency. The fear expressed by the Planning Commission that the DICs would promote multiplicity of development agencies and create confusion in rural industries development has come true much earlier than expected. Many of them are facing rough weather. The more the ebullient Mr George Fernandes, the Industries minister, reaffirms that the DICs are a thundering success everywhere, the greater is the evidence of their failure in several states.

Prima facie the case for the DICs was made to look impressive. It may be recalled that the scheme was introduced with much fanfare early last year as a major means of promoting the village, cottage and small-scale industries in rural areas and catering for their needs. The idea was radical and appealing. The DICs were conceived with a certain purpose: industries must move to rural areas, they must become labour-intensive and relate to the needs of the people. The aim was to have at least one DIC in each of the 460 districts by the end of the year. This was a tall order. The emphasis throughout appears to be somehow to reach the largest number of districts; quality of service offered has been relegated to the background. The centres would provide under one roof the various services required by entrepreneurs such as preparation of project reports, sanctioning of land, water, electricity, procurement of raw materials and machinery, etc.

Of late, the criticism against the DICs in several states has become more strindent. The recent report of the Estimates Committee of the fifth Maharashtra Legislative Assembly contains some uncharitable observations on the working of these centres. The committee has found them "to be totally ineffective and inefficient in the matter of establishing the required co-ordination amongst the various organisations of government connected with industrial development." The committee concludes : "The performance of these centres has to be judged from what the entrepreneurs have to say about them. Unfortunately, no good words are so far heard about the working of these centres." The committee further points out that there is hardly any innovative feature in the organisational set-up of the DICs. Each DIC will have a general manager and seven functional managers to undertake tasks relating to economic investigation, raw materials, etc. Does not this smack of bureaucratic approach ? Why implant urban managers on the rural soil ? The committee makes a pertinent point when it reckons that "the posts of general managere are to be manned by deputy directors and some of the district industries' officials in the state." It further warns that care should be taken in selecting persons for these important posts who will be sufficiently senior and will be full of drive and imagination with a sense of involvement and dedication.

What is the remedy ? The committee wants the government to set up a machinery that would ensure a close watch on the working of these centres. This machinery should insist on periodical returns from these centres as to the proposals received and their final outcome. A financial manager, for example, who though appointed from the ranks of the banking industry and is supposed to help the approval of projects by banks, has no authority to get the projects approved on his own even when he is satisfied with their economic viability. Cannot this drawback be remedied ?

It is said that the objective of the scheme is the shifting of the focal points of development of small-scale and cottage industries from cities and state capitals to the district headquarters. The rigid procedures laid down hardly permit the fulfilment of the concept with the result that entrepreneurs continue to run from pillar to post to get assistance. A more flexible and imaginative approach is necessary. A re-thinking on the administrative set-up has been demanded by some entrepreneurs. It has been said that participation of non-official representatives has not been allowed in state level advisory committees to be headed by the state chief ministers and entrusted with the task of supervising and monitoring the functions of the DICs. This leads to over-bureaucratisation. There is, however, scope for non-official participation at the district level committee to be headed by the district collectors.

Another drawback is that the DICs do not have industrial prospect sheets, the latest project profiles, etc., to guide the new entrepreneurs to choose product-lines. Again, nothing is heard about the government's decision to draw a group of professional managers from the private sector to advise the DICs on the major problem of marketing.

If the execution of the DICs scheme is to be competently carried out, it is imperative to put it on a sonnd footing by ridding it of political and bureaucratic interference. In the past, well-conceived economic programmes have failed primarily due to the road blocks put up by various vested interests.

Dairy enterprises on small farms

Raj Vir Singh and Amrik S. Saini

The authors who are associated with the Division of Dairy Economics, Statistics and Management, National Dairy Research Institute, Karnal, have in this article studied the parameters of dairy and crop enterprises on small farms in the Malerkotla development block in Punjab. They have come to the conclusion that dairing being capital-intensive, it is not possible to increase the number of high yielding milch animals without provision of short-term as well as medium-term capital. The financing agencies should therefore provide adequate credit to enable the farmers to make a success of the integrated crop and milk production schemes.

THE INTRODUCTION of dairy enterprises on Indian farms has been suggested with the three objectives of increasing income, providing employment and improving the nutritional level of rural families. With this in view, the National Commission on Agriculture also emphasised the need of integrating crop and milk productions particularly on small holdings.[1] However, dairying is a capital-intensive enterprise and the demand of capital increases substantially with the adoption of improved breeds of milch animals and associated inputs. These investments cannot be expected on the small farms out of their limited capital resources and, therefore, banks and other financial institutions were given the responsibility for advancing credit facilities for the adoption of milk production. Because of the lack of precise and reliable estimates on short-term and medium-term credit requirements and income potential of dairy enterprises in mixed farming situations on small farms, these institutions started financing these categories of farmers in a limited way. The present study, therefore, is directed towards estimating these parameters of dairy and crop enterprises on small farms in Punjab.

The study is based on the data collected from the Malerkotla development block of Sangrur district. This block was considered as the most progressive block of the district as it had maximum irrigation facilities and ranked first in the adoption of improved farm technology. Five villages of the block were selected at random. Out of the selected villages, five per cent of the total small holdings (having operational holding up to 7.5 acres) were again selected on a random basis. The sample, thus, included 24 small farmers.

Detailed information on crop-mix, fixed farm resources, resource restraints, input-output coefficients and the existing resources was collected for the agricultural year 1973-74 through survey method on a specially designed and pre-tested schedule.

Linear programming technique was used to develop the optimum plans for a synthetic situation with an operational holding of 6.15 acres. The profit maximisation model employed to find out the optimum crop-milk plans is reproduced below:

$$\text{Maximize } Z=\sum_{j=1}^{n} C_j X_j \quad (j=1,2....n)$$

Subject to:

$$\sum_{j=1}^{n} a_{ij} X_j \leqslant b_i \quad (i=1,2,........m)$$

$$X_j \geqslant 0 \text{ for all j.}$$

Where,

Z=Total returns to fixed farm resources,

X_j=Level of j th activity,

C_j=Returns to fixed farm resources from j th activity.

b_i=Availability of i th resource,

a_{ij}=Amount of i th resource required for one unit of j th activity.

Four optimum farm plans were developed with varying levels of dairy enterprise with existing and improved technology. To supplement the owned capital of the farmers, use of credit was allowed in all the optimum farm plans.

sample farms

Two optimum farm plans were developed with the existing technology of crop and milk production adopted on sample farms to examine the potential increase in farm income with a varying number of milch buffalo.

Farm Plan-I: Under this plan, the optimization of resources was done with the existing crops and one existing milch buffalo.

Farm Plan-II: In this plan, income of the farm was optimised by relaxing the limit on the number of milch animals under the existing crop and milk output technology.

This category included two synthetic farm plans with improved crop and dairy technology to ascertain the increase in farm income and employment through optimization. The plans developed under improved technology included high-yielding buffaloes.[2] Depending upon the number of milch animals to be kept, two synthetic farm situations were developed.

Farm Plan-III: This was developed based on the improved technology for crop and milk production under the situation that the number of milch animals were kept same as in farm plan I.

Farm Plan-IV: In this plan, in addition to the introduction of improved farm technology, the farmer was allowed to keep the same number of milch animals as in plan II.

The optimum farm plans were developed to estimate the short-term and medium-term credit needs on small farms for the integration of crop and milk productions at the existing and the improved levels of technology and are presented in Table 1.

The existing cropping pattern showed that cotton, maize and green fodder were the most important crops in the kharif season. These crops occupied about 62 per cent of the cropped area. In the rabi season, wheat alone commanded about three-fourths of the cropped area. The next best crop in this season was berseem which was grown to feed the draught and milch animals kept on the farms.

The optimum plan developed with the existing technology with one buffalo (Plan-I) showed that the area under more paying crops like paddy and sugarcane increased substantially. The low-paying enterprises like maize, cotton and groundnut disappeared in the optimum plan. With the relaxation of the number of dairy animals (Plan-II), the optimum number of dairy animals entered in the plan at the level of three buffaloes. As expected, the area under green fodder in both the seasons increased due to the increase in the number of milch animals and a similar decrease in the area under paddy and wheat was noticed. Because of nearly same profitability ratio of the existing and improved technology, the cropping pattern in optimum farm plans developed with improved technology (Plans-III and IV) remained same as in case of optimum plans developed with existing technology (Plans-I and II).

The optimization of resources under different farm plans resulted in an increased farm income over the existing plan (Table II). The optimization of resources under existing technology with one milch buffalo (Plan-I) could increase the farm income by about 41 per cent as compared to the existing plan of the farmer. Due to relaxation in the number of milch animals (Plan-II), the income could further be increased by about 15 per cent over the previous plan (Plan-I).

The maximum increase of about 154 per cent in the farm income was observed when three high-yielding buffaloes were introduced in the plan with the improved crop technology (Plan-IV). This indicates that the milk production through high-yielding buffaloes along with the improved crop technology could help the small farmers to make substantial increase in their farm income.

The optimization of resources indicated a lot of potential to increase the income on small farms through integration of crop and milk outputs under the existing and the improved farm technology. It was observed that the increase in income could only be realised if the credit facility was available to farmers. Therefore, it is essential to estimate the short-term and medium-term credit needs,[3] for adoption of the optimum farm plans. The short-

TABLE I

Existing and Optimum Farm Plans under Different Levels of Technology

Enterprises	Existing Plan		Optimum Plans							
	Acres	Per cent	Plan-I		Plan-II		Plan-III		Plan-IV	
			Acres	Per cent	Acres	Per cent	Acres	Per cent	Acres	Per cent
Kharif Season										
Maize	1.36	22.11	—	—	—	—	—	—	—	—
Paddy	0.44	7.15	4.35	70.75	3.75	60.99	4.35	70.75	3.75	60.99
Cotton	1.48	24.06	—	—	—	—	—	—	—	—
Sugarcane	0.39	6.34	0.80	13.00	0.80	13.00	0.80	13.00	0.80	13.00
Groundnut	0.56	9.10	—	—	—	—	—	—	—	—
Green fodder	1.00	16.26	1.00	16.26	1.60	26.01	1.00	16.26	1.60	26.01
Rabi Season										
Wheat	4.34	70.56	4.45	72.36	4.05	65.86	4.45	72.36	4.05	65.86
Barley	0.31	5.04	—	—	—	—	—	—	—	—
Sugarcane	0.39	6.34	0.80	13.00	0.80	13.00	0.80	13.00	0.80	13.00
Berseem	0.90	14.63	0.90	14.63	1.30	21.14	0.90	14.63	1.30	21.14
Buffalo	1		1		3		1		3	
Intensity of cropping	181.59		200.00		200.00		200.00		200.00	

term and medium-term credit required for the different optimum farm plans were worked out and are presented in Table III.

The short-term credit requirements for the adoption of different optimum plans were substantially higher as compared to the existing capital available with the farmer. The adoption of improved technology has resulted in a pronouncedly higher capital requirement as compared to the respective plans developed with the existing technology. The farm plans developed with three milch buffaloes under the existing technology required Rs 7,504 as short-term capital of which Rs 4,150 must be available as a shot-term credit. On the other hand, the optimum farm plans developed with the equal number of buffaloes using improved technology for crop and milk productions demanded as high as Rs 9,784 in the form of short-term capital out of which about 66.3 per cent was required as short-term credit.

The medium-term capital and credit requirements were estimated only for dairy enterprise. As expected, when the number of buffaloes under existing technology was kept same (one) as the farmer was keeping in the existing plan, there was no change in the medium-term capital requirements. The medium term capital needed for dairy enterprises increased three times with the introduction of three milch buffaloes under the existing technology out of which exactly two-thirds was required as medium-term credit. In the improved technology, the medium-term capital was needed for purchasing the improved milch animals, construction of appropriate building and for purchasing a minimum number of dairy equipments. With this, medium-term capital requirement for the adoption of improved dairy practices were nearly double as compared to the respective farm plans of existing technology. For adoption of optimum farm plan developed with improved technology and three milch buffaloes, the small farmer would require Rs 9,885 as medium-term capital of which Rs 8,235 would be required as medium-term credit.

TABLE II

Annual Farm Income from Existing and Optimum Farm Plans

Particulars	Existing Plan	Optimum Plans			
		Plan-I	Plan-II	Plan-III	Plan-IV
(a) Return (Rs)	4,758	6,691	7,667	11,615	12,078
(b) Change over Existing Plan (Rs)	—	1,933 (40.62)	2,909 (61.13)	6,857 (144.11)	7,320 (153.84)
(c) Change over Previous Plan (Rs)	—	1,933 (40.62)	976 (14.58)	3,948 (51.49)	463 (3.98)

Figures in parentheses indicate the change in percentages.

TABLE III

Capital and Credit Requirements (In rupees)

Particulars	Existing Plan	Optimum Plans			
		Plan-I	Plan-II	Plan-III	Plan-IV
Capital					
(a) Short-term	3,354	4,765	7,504	7,190	9,784
(b) Medium-term (Dairy)	1,650	1,650	4,950	3,295*	9,885
Credit					
(c) Short-term	0	1,411	4,150	3,836	6,430
(d) Medium-term (Dairy)	0	0	3,300	1,645	8,235

*Under improved technology, medium-term capital is needed to purchase improved milch animal (Rs 2500 per buffalo), construction of building (Rs 720 per buffalo) and equipments (Rs 75 per buffalo).

It may be concluded that to increase farm income on small farms through integrated crop and milk production plans, credit is an essential component. Dairying being a capital-intensive enterprise, the requirements of short-term and medium-term capital increases manifold with the introduction of improved milch animals in the optimum farm plans. With the existing resources of small farmers, it is not possible to increase the number of high-yielding milch animals in farm business. Therefore, to help the lower ladder in harvesting the benefit of the integrated crop and milk outputs along with improved technology, the financing agencies should come forward to provide adequate and easy short-term and medium-term credit to the small farmers. This would help the small farmers to make further investments in farm business through the additional income generated.

References

1. Interim report of the National Commission on Agriculture on milk production through small and marginal farmers and landless agricultural labourers, ministry of Agriculture, government of India, New Delhi, December, 1971, pp. 48-50.

2. The input-output coefficients regarding dairy enterprise (improved milch animals at recommended levels) used in the optimum plans were developed in consultation with dairy experts. These coefficients were reduced to a 12 month period so that it becomes comparable with crop enterprise for the purpose of analysis.

3. It was difficult to make direct estimates of capital availability. The existing level of variable expenses incurred by the farmers were, therefore, considered equivalent to capital available with the farmers for crop and dairy. The short-term credit needs were estimated from the additional cash expenses (i.e. variable cash expenses in the optimum plan minus variable cash expenses in the existing plan). The value of the existing buffalo already available with the farmer was considered as the medium-term capital (Dairy). The medium term credit was estimated by deducting the existing medium-term capital available from the total medium-term capital needed for respective plan.

Productivity in Kerala's fishing industry

Ramakrishnan Korakandy

Productivity in the fishing industry in Kerala has been declining over the last many years. Kerala has made substantial investment in fishing boats and amenities for fishing. It is necessary at the same time to reduce the unit cost. Intensification of fishing effort would mean a reallocation of priorities. The author who is research scholar, Centre for Study of Regional Development, School of Social Sciences, Jawaharlal Nehru University, New Delhi, suggests two alternatives for improving productivity which can be implemented individually or jointly. These are to develop inshore and inland water resources by culture and management and to exploit the natural resources of fish beyond the continental shelf.

WITH CONSIDERABLE improvements having been made in the fishing techniques and the amenities available for fishing, the fishermen are expected to put in less effort in catching a unit quantity of fish. This, in other words, means a reduction in the unit-cost of converting the natural resource, fishery, into the final product, fish. The implication is an improvement in the productivity of the industry.

The state of Kerala which has made substantial investments in fishing boats and the amenities for fishing (including training facilities), however, has not been able to make any progress in the productivity of the industry. On the contrary, productivity in the industry has been declining over the last so many years. The industry has now reached a stage where from any further fall in productivity would be adversely affecting its development. The purpose of this article is to highlight the significance of improving productivity in the industry and to suggest the ways and means of doing it.

Productivity in fishing is usually measured in terms of the catch-per-unit of effort (CPUE). Unit effort can be expressed in man-hours. The CPUE is the ratio of catch to the corresponding effort of labour. It shows the relation between the output of fish and the input of labour. It should, however, be pointed out that the CPUE is not really a measure of the contribution and efficiency of labour alone, but is the joint contribution of the various factors participating in the process of production. It is actually a measure of efficiency in general, reckoned in terms of one specific factor.[1]

The CPUE, which stood at 8.20 kg in 1967, came down to 4.68 kg in 1974. This downtrend in productivity is in marked contrast with the rapid expansion in fishing effort. Table I shows the pace at which the two variables, productivity and fishing effort, have been moving in the industry, although in opposite directions.

declining productivity

Productivity in the industry has been declining over the years with only minor exceptions in 1970 and 1971 during which years it showed some signs of improvement. The steep fall in productivity during the period 1972-74 seems to be the result of a rapid expansion in fishing effort. It can be further inferred from Table I that productivity in the industry might have steped down below the 1974 level (or at least remained stationary), during the last three years, unless fishing effort had shown any sign of recession.

It would be interesting at this juncture to see whether this declining trend in productivity is a state-wide phenomenon or merely a regional problem. This would help us to understand the magnitude of the problem as well as in divising policies for its solution. Let us see how productivity in the industry has been behaving in the various fishing zones (regions) of Kerala during the seven years prior to 1974.

Table II shows two distinct trends. The first one is a slow rise in productivity in region-I and the second, a steep fall in productivity in region-II, especially after 1971. It appears from the above that declining productivity is a problem predominantly felt in region-II. Another feature which is quite peculiar about productivity in the industry is the considerable difference in productivity between the two regions, region-II being more productive.[3] The gap is however getting closed by the fall in productivity in region-II.

Now it is important to see how productivity is falling in this region. But before that let us see why it is important to prevent this fall in productivity as well as the need to improve it.

TABLE I
Fishing Effort and CPUE in Kerala
(1967-74)

Year	Fishing effort (in 1000 man-hours)	CPUE (Kg. per hour)
1967	43,476	8.28
1968	41,332	8.28
1969	36,308	8.00
1970	39,691	9.74
1971	45,018	9.90
1972	57,106	5.11
1973	69,748	6.28
1974	86,711	4.68

Source : Central Marine Fisheries Research Institute, Bulletin No. 27, Cochin, 1976.

Improving the productivity in the industry is essential for the following reasons:

(a) Declining productivity in the industry will be adversely affecting the earnings of fishermen. This is because, they are paid according to the 'lay-system' which stipulates a direct relation between their catches and their earnings.

(b) Falling productivity in the industry will be reducing the earnings of the enterprises as well. The system of sharing the proceeds of the catch leaves the enterprises in no better position during times of lagging productivity.

(c) The processing sector, which depends so much on the catching branch for raw material (fish), will be seriously affected by the fall in productivity. The reduction in the supply of raw materials will lead to unemployment and excess capacity in the processing sector.[4]

(d) The recurring fall in productivity will be adversely affecting our exports. The competitive position of our exports can be quickly eroded by the fall in productivity. The industry is now mainly depending on the international price of fish.

(e) Declining productivity in the industry will be leading to a rise in the unit cost of converting the natural resource, fishery, into fish products. This will add to inflationary pressures in the economy.

(f) The continuous slack in productivity will lead to withdrawal of capital from the industry by many enterprises. This can cause general unemployment and depression in the industry.

(g) Lagging productivity in the industry, if it is confined to any particular sector or region, will prompt fishermen to migrate to the more paying sector or region. This will depress the earnings of fishermen in the receiving sector or region, thereby causing disharmony in the community.[5]

the rationale

We have already noticed that the fall in productivity is a problem predominantly felt in region-II. It is imperative to find out the factors behind this fall in productivity. The general understanding is that declining productivity in the industry is associated with a general rise in fishing effort.[6] The rationale behind this assumption is that a constant addition to the fishing effort of a region will after some time yield only a less than proportionate increase in output, which, in other words would mean a decline in productivity. However, this need not be the case always in fishing, where the operation of many natural factors, other than the fertility of the fishing ground, will modify the functioning of the law of diminishing returns. Nevertheless, following the basic presumption, let us see how the two variables, productivity and fishing effort, are related in the two fishing regions.

TABLE III

CPUE and Fishing Effort in the Fishing Regions of Kerala (1967-73)

Year	Region-I		Region-II	
	CPUE (in Kg.)	Effort (in 1000 manhours)	CPUE (in Kg.)	Effort (in 1000 manhours)
1967	3.75	20343	12.44	23132
1968	3.09	19263	12.94	22069
1969	4.58	17246	11.31	19061
1970	4.84	13962	12.94	25123
1971	4.78	24499	13.60	24106
1972	3.72	33180	06.16	27916
1973	5.79	42770	07.34	27276

TABLE II

Catch per Unit Effort in the Fishing Zones of Kerala[2] (1967-73)

Region	Zone	1967	1968	1969	1970	1971	1972	1973
	1	2.09	1.79	1.88	0.65	4.82	2.67	3.75
	2	4,46	3.21	3.11	5.33	2.43	4.44	3.68
	3	4.41	3.00	5.16	5.01	6.88	4.70	10.53
	4	4.48	4.92	5.89	5.80	3.93	4.35	5.32
I		3.75	3.09	4.58	4.84	4.78	3.72	5.79
	1	16.55	18.78	14.42	11.77	17.16	7.42	12.68
	2	11.08	9.67	9.69	9.26	14.66	3.32	4.49
	3	8.02	10.24	11.66	17.61	13.70	12.18	12.41
	4	10.45	10.95	10.76	11.83	10.12	6.12	5.23
	5	22.57	18.84	9.79	13.86	16.00	7.22	12.00
II		12.44	12.94	11.31	12.94	13.60	6.16	7.34

Table III shows quite different pictures. Fishing effort seems to exert no direct influence on productivity in region-I, whereas, its influence appears to be quite negative in region-II. Table III, in fact, reveals a positive relation between productivity and fishing effort in region-I. This is quite possible if we account for the qualitative changes that additional fishing effort may bring to the industry. The steady rise in fishing effort in region-I must be the result of the intensification of fishing effort by existing units in the region as well as the entry of new units. Intensification of fishing effort by the existing units would mean a reallocation of priorities and a revitalization of the entire working of the units. This would *ceteris paribus*, result in economies to the enterprises and a general improvement in productivity. When new units enter the industry, they generally bring with them better techniques and facilities which are conducive to higher productivity. The introduction of larger and more mechanised boats would certainly mean higher output and higher productivity. When these factors are taken into account, the steady rise in fishing effort in region-I can certainly contribute to a rise in productivity.

We are yet to explain the declining trend in productivity in region-II. Table III presents a negative relationship between productivity and fishing effort in this region. This confirms our assumption of diminishing returns. The above relationship can be explained in the light of the following. A few bionomic studies conducted by the Central Marine Fisheries Research Institute had shown that "in the traditional inshore fishing grounds, an increase in the fishing effort will not yield any increase in the catch of pelagic fishes particularly of oil sardine and mackerel".[7] (It should be noted in this context that mackerel and oil sardine constitute the two major species of this region which contribute to the bulk of the earnings of the fishermen). This, in other words, would mean that the present rate of exploitation of fisheries in this region is already close to the optimum or perhaps above that. We need not go further to explain the fall in productivity in this region, because it is clear from the above mentioned behaviour of the catch and the effort.

Now let us see what are the possible means of improving productivity in the industry.

means of improvement

The industry is left with two alternatives. It can opt for either of these or both together. The first alternative is to develop the inshore and inland water resources of the state by culture and management. The second is to bring more resources under utilisation or to say the same thing differently, to go in for extensive fishing. As far as the second alternative is concerned, we have enough of resources in the regions beyond the continental shelf. The National Commission on Agriculture points out:[8]

> "The extensive resources beyond the continental shelf hold additional potential for increasing production from conventional and non-conventional types of fisheries, comprising high sea tunas, deep sea fishes, oceanic cephalopods particularly squids and deep sea crustaceans. Besides, there is considerable potential for increasing production from the under-exploited mollusean resources in the continental shelf, particularly the oysters, mussels and clams."

The rational exploitation of these resources would help the industry to recover from the present fall in productivity. What is required for the time being is a suitable technology and a strong policy for bringing the distant water resources under exploitation.

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1. Balakrishna, R. : *Measurement of Productivity in Indian Industry*, Madras, 1958, pp. 2-3.
2. Extent and Boundary of the Fishing Zones of Kerala :

Region	Zone	Extend (in Kms.)	Boundary (from south to north)
I	I	44	Kollemgode to Valiaveli
	II	40	Kochuthura to Chilakoor
	III	49	Poozhikara to Valiazheekul
	IV	70	Tharayilkadavu to Ottamassery
II	I	65	Vettakkal to Kathiyalam
	II	68	Attupuram to Ponnani
	III	72	Kootayi to Edakkadavu
	IV	104	Quilandy to Kandankot
	V	48	Thaikadapuram to Kunjuthur
Kerala		560	Kollemgode to Kunjathur

Source : Central Marine Fisheries Research Institute, Cochin.

3. The observed difference in productivity between the two regions may be found to exist even after taking the quality (value) of the catch into account.
4. The prevalence of excess capacity even upto 50 per cent has been reported by the Indian Institute of Foreign Trade in their study: 'Survey of India's Export Potential of Marine Products' (1970).
5. It should be pointed out here that fishermen used to migrate to region-II from region-I during the fishing season to take advantage of the plentiful resources of the region. It is also suggested that the reported clash between groups of fishermen at Cannanore and other places was the result of the unwillingness on the part of fishermen in the receiving region to share 'their' resources with the immigrant fishermen. Entry by new fishermen, it is argued, would depress the earnings of the fishermen, first by raising the local catches and lowering prices and second, by reducing the catches in the long-run.
6. Bell and Kinoshita have, for instance, stipulated a negative relationship between aggregate fishing effort and labour productivity. The same relationship has been assumed by Schaefer and Pella in their studies. For further details, see, Bell and Kinoshita *'The Measurement and Analysis of Labour Productivity Changes in United States Fisheries'*, National Marine Fisheries Service, Washington, July 1971, p. 34.
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TRADE WINDS

Ban on Import of Duty-free Gifts

Mr Satish Agarwal, minister of state for Finance, recently announced a ban on duty-free import of gift articles by individuals. He said the existing concession in respect of individual importers of gift articles such as foodstuff, clothes and medicine for free distribution among the poor was being withdrawn through a notification under the Customs Act. Hereafter, only bonafide organisations would be allowed the facility and the status of both the donor and the donee would be subject to strict scrutiny. He said the withdrawal of the concession followed detection of a racket in imported clothing involving over Rs 1 crore in Madras during 1978.

Mr Agarwal said the bonafides of the importing organisation, its resources, area of operation and the nature and the value of imported articles would be covered under the scrutiny. He added, the bonafides of organisation abroad would also be checked. The scrutiny had become necessary in view of the large-scale misuse of the existing facility by certain individuals in Madras.

Pesticide Formulations

The government has decided to allow further relaxation for making pesticides formulations in lieu of the phased out or banned items. This decision takes effect immediately. Accordingly, for companies governed by FERA and MRTP regulation the restriction that the banned or phased out item and the item to be substituted should belong to the same group has been removed. Now insecticides or weedicides or herbicides can be substituted by any pesticide without any group restriction.

For non-FERA and non-MRTP companies only, including small scale units, permission will be given to substitute new items of pesticides or insecticides not only in lieu of banned or phased out items, but also for items which the units are unable to market or the production of which they want to discontinue. Also the new items need not be of the same group. A pesticide may be substituted for an insecticide or weedicide or herbicide. The new items may be locally available or imported items, provided that the proposal does not involve fresh investment by way of machinery or other capital equipment. Only one new item shall be substituted for one banned or phased out or deleted item.

Four New Working Groups

Four working groups have been constituted at the initative of the Railway Board, to explore the possibilities of creating coal dumps at important consuming centres and crucial railway junctions to tide over the coal shortage. Each group consists of the representatives of the respective zonal railway, the state government and Coal India. While one group will take care of the interests of Punjab and Haryana, the remaining three will be for Tamil Nadu, Andhra Pradesh and Gujarat. It is not immediately known whether more working groups will be set up. One view is that the problem is not so severein other states, in view of their proximity to coal mines. The four working groups will prepare detailed feasibility reports for coal dumps in their respective regions.

Duty on Coffee Raised

The government recenly enhanced the export duty on coffee from Rs 400 to Rs 750 a quintal. The increase has been made in view of a rise in international prices.

Weekly Returns by Banks

The Reserve Bank has sent communication to all banks impressing upon them the need for timely submission of weekly returns and pointing out that it would be constrained to initiate penal action under Section 46(4) of the Reserve Bank of India Act. This section provides the levy of a penalty of Rs 100 for each day of default in submitting the weekly returns within the prescribed period. The penalty by way of three per cent additional interest on the excess of refinance or rediscount accommodation, to which the agency report refers, has nothing to do with the non-submission of weekly returns by banks. It relates to the default by banks in maintaining the stipulated reserve ratios as on March 30, 1979; it is levied on the portion of the refinance/rediscount facilities equivalent to the shortfall in reserve ratios.

LIC Business

The Life Insurance Corporation of India completed new businsss worth Rs 135.22 crores under 122,577 policies in individual assurances business including those procured abroad, during the first two months of the current financial year (April and May, 1979). The southern zone with completed business of Rs 38.71 crores and 39,325 policies emerged on top, followed by the western zone with a business of Rs 32.20 crores and 30,296 policies. The northern, eastern and central zones completed new business of Rs 27.26 crores, Rs 18.59 crores and Rs 17.48 crores respectively. The number of policies issued by these zonese stood at 19,749, 17,860 and 15,124 respectively. Amongst the divisions of the corporation, Bombay division stood first with a sum assured of Rs 14.86 crores, followed by Delhi and Hyderabad with sums assured of Rs 12.16 and Rs 6 crores respectively. In respect of number of policies also, Bombay division stood first having completed 12,136 policies followed by Delhi and Ahmedabad with 7,579 and 5,807 policies respectively.

Panel for Public Sector

The Standing Conference of Public Enterprises (SCOPE) has formed a six-men committee to take up with the oovernment the implementation of the recommendations that were drawn up by the second national convention of public enterprises in March this year. If accepted, the recommendations could give an entirely new orientation to the public sector. The committee consists of Mr R.C. Dutt, I.C.S. (Retd) as Convenor, Mr Mohd.

Fazal, Chairman and Managing Director of Engineers India Ltd, Mr P.C. Lal, Chairman of Air-India and Indian Airlines, Mr Fazle Karim, Director-General of the Bureau of Public Enterprise, Mr M.M. Luther, Chairman of Projects and Equipments Corporation of India Ltd and Dr. P.K. Narayanaswamy, Chairman of Fertilizer and Chemicals Travancore Ltd.

The March convention was marked by sharp criticisms of the functioning of public sector enterprises by the prime minister and Finance minister, both of whom wanted better performance and profitability from public sector units. Two of the most decisive recommendations, drawn up in the light of these criticisms urge that the objectives of the public sector be clearly delineated—that is, whether its primary goal is profitability or the achievement of certain social aims, such as the creation of more employment—and thereafter, full autonomy should be ensured to each unit, subject only to accountability to parliament.

Tea Exports

With the Brazil coffee crop affected by frost and the thrust by both the government and the industry to step up exports, tea has started looking up. The shortfall in production and the drought is also sure to help the industry. By the end of the year, market experts predict, tea may regain the lost ground both in respect of price and exports. Already exports are ahead of not only the 1978 level but also the 1977 level. Export licences for 75 million kg were issued during January and May against 57 million kg during the same period in 1978 and 67 million kg in 1977.

In this context, the industry suggests special efforts to recapture the Iran market. Although Iran's total import is about 10 million kg, the unit price there is the highest among the importing countries. At present, credits opened by Iran are not accepted by ECGC and hence bankers do not pay to the shippers as long as the bills are not retired by their buyers. It is suggested that the government should advice ECGC to guarantee shipments to Iran. While recapture of some of the traditional markets may be time consuming, Iran's return will increase competitiveness of Indian tea.

Sugar Output

According to the Indian Sugar Mills Association, the sugar production during the second fortnight of May, 1979 was about 142,000 tonnes as against 264,000 tonnes during the same fortnight last year. The total production in the month of May, 1979, the eighth month of the season 1978-79, was about 357,000 tonnes as against 602,000 tonnes during the same month last season. This brings the total output during the first eight months of the season 1978-79 to 5,759,000 tonnes as against 6,057,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the second fortnight of May was about 277,000 tonnes for internal consumption and 30,000 tonnes for exports as against 216,000 tonnes for internal consumption and 19,000 tonnes for export during the same fortnight last season. The despatches during the month of May were 470,000 tonnes for internal consumption and 53,000 tonnes for exports as against 359,000 tonnes for internal consumption and 19,000 tonnes for exports during the same month last season. The total off-take in the first eight months in 1978-79 was 3,976,000 tonnes for internal consumption and 631,000 tonnes for exports as against 2,922,000 tonnes for internal consumption and 19,000 tonnes for exports during the corresponding period last season. The total closing stock of sugar with the factories as on May 31, 1979 was about 44,70,000 tonnes as against 46,90,000 tonnes last year.

Vizag Steel

The Soviet Union has agreed to give a credit of 250 million roubles as an initial investment for the steel plant being set up at Visakhapatnam with Soviet assistance. This was stated by the secretary, Steel ministry, Mr Mantosh Sondhi, who returned recently after attending the meeting of the Indo-Soviet Joint Commission on Economic and Scientific Cooperation in Moscow. Regarding financing of the project, Mr Sondhi said the Soviet Union would initially make available a credit of 250 million roubles. The total value of the project would be assessed after the detailed project report was finalised. Originally it was proposed to accept the Soviet aid for the project under a system of production compensation. As the demand for steel within the country increased, it was felt there would be no steel to spare from the plant. Therefore, the government decided not to accept Soviet credit on production compensation basis.

Wage Agreement in Steel Industry

The steel industry has signed 3rd bipartite wage agreement recently which will benefit 243,000 workmen of the industry. The agreement has been reached after prolonged negotiations in the National Joint Consultative Committee consisting of representatives of management in steel industry comprising public sector integrated steel plants including Indian Iron and Steel Company Ltd (IISCO), Tata Iron and Steel Company Ltd, (TISCO), Visvesvaraya Iraon and Steel Limited (VISL) and four central trade unions viz. INTUC, AITUC, HMS, CITU and the recognised unions of the plants besides independent union of VISL. The agreement covers the workmen of the steel plants at Rourkela, Bhilai, Durgapur, Bokaro, Jamshedpur, Burnpur, Alloy Steels Plant, Durgapur as well as the VISL at Bhadravati. The agreement which is effective from September 1, 1978 provides for a minimum wage of Rs 505 for the steel workers who are on the roll as

All India Institute of Medical Sciences

Ansari Nagar, New Delhi-110016

The Executive Engineer (Civil) on behalf of the Director, All India Institute of Medical Sciences, invites item rates sealed tenders upto 3-00 P.M. on 5-7-79 from the approved and eligible contractors registered in C.P.W.D., M.E.S., D.D.A. etc. The contractors who are registered one class below are also eligible to tender. 1. Construction of Dr. R.P. Centre B.C. & D. Wings, Phase-II (S: H. Sanitary Water Supply Drainage and Fire Hydrant system at A.I.I.M.S. Estimated amount Rs. 8,60,484/- Earnest money Rs. 20,000/-. The Tenders will be opened at 3-15 P.M. on 5-7-79. The earnest money will have to be deposited in cash with the Cashier of AIIMS or in the shape of deposit-at-call receipt or demand draft drawn in favour of the Director. All India Institute of Medical Sciences, New Delhi, and cash receipt of the AIIMS or deposit-at-call receipt or demand draft shoudl be attached with the tender documents. Tender forms with all conditions can be had from the office of the Executive Engineer (Civil), AIIMS up to 1-00 P.M. on any working day @ Rs. 40/- (non-refundable) upto 3-7-79 on production of Income-tax Clearance certificate and enlistment documents.

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on September 1, 1978. This constitutes a minimum guaranteed benefit of Rs 67.60 in their present emoluments. This will cost the industry nearly Rs 20 crores per annum.

The agreement provides for large number of social and welfare measures which will benefit the steel workers. These include providing additional 25,000 to 30,000 houses in four years, free medical facilities to the retired employees in company hospitals and better educational facilities for the children of employees like recreation facilities in different plants, for providing vocational training in useful crafts and trades. The agreement also provides for measures for relief and rehabilitation of workers and their dependents in case of accidents and other calamities.

GSIC

The Gujarat Industrial Investment Corporation has sanctioned Rs 84.60 lakhs additional financial assistance to two industrial projects during June 1979. Among the projects sanctioned, a chemical unit at Nandesari, Baroda will receive financial assistance of Rs 56.60 lakhs for its expansion of inorganic chemical used in the production of explosive and other important chemicals. It may give rise to development of ancillary industries. Another unit has been sanctioned additional financial assistance of Rs 28 lakhs to create additional facilities for the production of 5000 tonnes per annum of 'Oleum' (23%) in the sulphuric acid plant at Vapi with the production capacity of 20,000 tonnes per annum. This will be the first merchant sulphuric acid plant in the state. On the whole, these two units, with GIIC's help of Rs 84.60 lakhs, will generate investment worth about Rs 155.50 lakhs and employment for about 44 persons in the state.

Japanese Grant for Ammonia Plants

Japan has agreed to grant India project aid of 20 billion yen (Rs 75.76 crores) for 1978-79. The aid will be utilised for setting up two ammonia plants, part of the Surat fertiliser project. An agreement to this effect was signed on June 21, by Mr Masao Kanazawa, Japanese Ampassador to India, and Dr Manmohan Singh, secretary, Economic Affairs Department in the Finance ministry.

Design Award for Metal Box

Metal Box of India has won the coveted CILO award for its entry in packaging design titled "coffee tea—old Calcutta—tea". It has won in international competition for advertising excellence in which there were 11,000 entrants from 48 countries. It won the award for the third year in succession. Two other entries of Metal Box reached the final stage and won certificates of merit. Other Indian entries which have won certificates of merit are Shilpi Advertising and Extrusion Processes Private Ltd.

Excise on Petro-Goods

The element of excise in the price structure of petroleum products, particulary petrol and kerosene, is the highest in India compared to many other developing and developed countries. In India, the percentage of excise and other loeal taxes per litre of petrol is 70, while in several developing and developed countries the percentage varies from 21 to 61, according to official figures.

Among the developing countries the excise and other duties amount to only 30 per cent per litre of petrol sold to the consumer in Philippines, 25 per cent in Brazil, 56 per cent in Pakistan and 58 per cent in Australia. In selected developed countries the percentage of excise and other taxes for a litre of petrol is 21 in the United States, 44 in Canada, 54 in the UK and 61 in France.

With a price of over Rs 4 a litre of petrol, India also tops these countries with the highest total price of petrol. The per litre price for petrol in these developing and developed countries is less than Rs 4. Similarly in kerosen also, the highest percentage o excise and other duties of 3 per cent per litre is in India The percentage of excise and other levies on kerosene in other developing and developed countries is either negligible or as low as 15 per cent. In Canada and Australia there is no excise duty on kerosene.

IDA Credit

A programme to encourage rural people in Uttar Pradesh, to plant trees for fuel and raw materials will be assisted with a US $23 million credit from the International Developmet Association (IDA), the World Bank's affilite for concessionary lending. The US $45 million Uttar Pradesh

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Social Forestry Project will help lay a sound basis for a social forestry programme—the growing of trees outside the forest reserves to meet the needs of rural people—by expanding and strengthening the Social Forestry Directorate, developing community awareness of the importance of forestry, establishing a nursery infrastructure, and initiating plantings on 52,000 hectares of land, with the participation of the local people.

To meet the daily forest product needs of the rural people by the turn of century, afforestation at the rate of 80,000 hectares pa is needed. The cost of a publicly funded programme of this magnitude would be prohibitive without some contribution from local people. The programme's long term goal is the establishment of village plantings through self-help schemes, with the villagers providing the labour and the government contributihg extension service and materials. The project is therefore geared to the development of community awarnness and participation, and will make possible an increase of at least 20 per cent in the fuelwood supply for some six million people. Mulberry and the arjun trees will be planted on 1500 hectares to provide labour intensive employment opportunities in sericulture.

Barytes Powder for Iraq

The Minerals and Metals Trading Corporation (MMTC) will supply 45,000 tonnes of barytes powder to the Iraqi National Oil Company during June-August this year. A two-member MMTC team which recently visited Baghdad also got firm commitment for the purchase of sulphur from the State Organisation of Minerals of Iraq.

The Iraq unit will be supplying 220,000 tonnes of sulphur (including the spill-over of 70,000 tonnes of first half year. It has also allowed the MMTC an optional quantity of 50,000 tonnes of sulphur, which will be confirmed by the seller during the first week of September.

Meanwhile, MMTC has already started procuring barytes for executing the export order. The shipment is likely to be made at the Madras port, where the mine owners have already made available about 70,000 tonnes of barytes to MMTC. With the announcement of the new export policy for barytes, the producers are reported to have resisted turning to MMTC, which has now become the sole canalising agency

British Exports

British exports may show a further rise in 1979, despite a setback in the first quarter of the year, but the outlook is less buoyant than it appeared in January. The latest department of Trade survey of export prospects, points to a volume rise of between five and six per cent over the second half of this year, following a drop of between two and three per cent in the first half. This would mean a two per cent volume rise in exports in 1979, as a whole compared with 1978. The rise between 1977 and 1978 was 3½ per cent. Apart from the effects of the road haulage strike, British exports in the first half of this year have been depressed by events in Iran and also by the stringent import controls imposed by Nigeria. These two factors cost Britain 400 million pounds sterling in lost exports between January and April of this year, but the position is expected to improve in later months. The forecasts for exports in the April-December period are based on the expectations and responses of 57 of Britains largest exporting companies covering in value terms about one third of total UK exports.

Trade with Czechoslovakia

India and Czechoslovakia have agreed to considerably widen their economic and technical cooperation and give it a new dimension. Several proposals for increasing trade between the two countries were also briefly touched upon at a meeting of the prime ministers. Mr Morarj Desai and Mr Lubomir Strougal. As the two leaders devoted their time discussing bilateral economic matters the Foreign ministers, Mr A.B. Vajpayee, and Mr Bohuslav Chnoupek, conferred separately and reviewed in depth the international situation, Mr. Desai agreed with Mr Strougal that their bilateral trade was stagnating and that they should look for new avenues to correct the imbalance.

Names in the News

Mr P. F. Gutta ,chairman of the Central Bank of India, has been re-elected chairman of the Indian Banks Association.

Mr K. Rajan, managing director of the Maharashtra Agro-Industries Development Corporation, has been elected president of the National Association of State Agros.

Mr L. C. Gupta has taken over as vice-chairman and managing director of the City and Industrial Development Corporation of Maharashtra (CIDCO).

Mr M. M. Sabharwal has been elected the non executive chairman of The Britannia Biscuit Co. Ltd. Mr. Sabharwal who retired as chairman of Dunlop India Ltd. in 1977 after 37 years service is also the chairman of Needle Industries (India) Ltd and a director of Oil India and Bata India.

Mr K. C. Khanna chairman and managing director of Kudremukh Iron Ore Co., has been appointed chairman of Visvesvaraya Iron and Steel Ltd.

Mr V. K. Modi, Vice-chairman and managing director of Modi Rubber Ltd, has been elected president of the All-India Rubber Industries Association for 1979. Other office-bearers are: vice presidents– Mr Bharat Saraiya (Korula Rubber) and Mr M. L. Capoor (Dunlop India), general secretary—Mr. M. K. Kapoor (Rishiroop Polymers) and treasurer—Mr K. D. Shah (Jai Hindi Rubber Products).

The Tanners' Federation of India unanmously elected **Haji S. Nagar Mohammod** chairman and **Mr J. Sinha Roy** as vice chairman of the Federation. Mr Ahmed Ali D. Perpia, Mr. A. K. Das Gupta, Mr Islamul Haq. Mr. Z. Kotasek, Mr. S. P. Pandit, Mr S. M. Shahid and Mr. Zafrul Hasan were elected members of the committee.

Dunlop India Chairman's Speech at Annual General Meeting

THE MOST IMPORTANT PERSON IN OUR BUSINESS IS THE CUSTOMER

"The part that Dunlop can play is to improve its efficiency, continuously upgrade product performance to provide the best value for money and to offer a complete service for the satisfaction of our customers. This we pledge to continue to do."

Mr. A. W. G. MacIntyre

The following are excerpts from the speech delivered by Mr. A. W. G. MacIntyre, Chairman, at the 53rd Annual General Meeting of Dunlop India Limited, held on June 15, 1979, at Calcutta :

At last year's Annual General Meeting, I was able to report signs of some recovery from the depressed conditions experienced by the Company and the Tyre Industry as a whole in 1977. This recovery was sustained throughout 1978 despite the adverse effect on road transport activity of an unusual monsoon season in some northern and eastern regions. In particular, the disastrous West Bengal floods severely disrupted production at Sahaganj, while sales demand fell off in areas where road movements were restricted over a period of several weeks.

Sahaganj was also plagued by shortages of electricity and coal of acceptable quality. Consequently, there were times when we were unable to meet market demand for certain sizes and types of products. Economies were made wherever possible to make up for the volume loss and this included tight control on working capital. We were, however, able to respond to a great extent to the increasing market shift to nylon in the truck tyre range. This was possible with the installation of additional Bag-O-Matic presses at our Sahaganj factory.

Our Industrial Products division, which had another satisfactory year, also benefited from capital investment in such products as fan and vee belts. I should mention here that we have decided to divisionalise our two main lines of business, i.e., Tyres and Industrial Products. This will give increased thrust to our efforts to improve their individual performance and give better customer service.

Profit not Adequate

The sharp fall in profits suffered by your Company in 1977, which resulted in a cut in dividend in that year from 20% to 8%, has been arrested. However, a profit before tax of a little over 2% of income is just not enough. It is not enough to pay you the dividend you received two years ago and it is certainly not enough to plough back the internally generated funds which are vital to our modernisation programme and to our future as suppliers of essential goods, exporters, employers and good corporate citizens.

Prospects in 1979

This year opened with reasonable market demand, but our early hopes of making real improvements through higher factory productivity have been adversely affected by severe power problems, perhaps the worst ever.

However, a continued effort in improving operating efficiency makes me reasonably confident that we can achieve a further improvement in results during 1979. If we do, it will be because of the untiring efforts of our employees, often under difficult conditions. I can assure you that their spirit and sense of motivation are a great source of strength to this Company.

Extremely Difficult Raw Materials Situation

I now turn to the extremely difficult position of the major raw materials required for our Industry—specially tyres—both in terms of availability and prices.

It needs to be emphasized in this connection that :

(i) Natural rubber and petrochemical based materials, such as synthetic rubbers, nylon yarn and/or caprolactum, carbon blacks, rubber chemicals, etc., account for over 90% of the direct material costs of a nylon truck tyre.

(ii) Local availability of these materials for the Indian Rubber Industry is not adequate and, consequently, substantial quantities have to be imported regularly.

(iii) Import duties on most of these materials are prohibitive, e.g., the total incidence of import/countervailing excise duties is over 180% for Nylon 6 Yarn, nearly 140% for caprolactum, 52% for synthetic rubbers and 102% for carbon blacks.

Availability of natural rubber has been uncertain since April 1978 when, due to the inadequate stocks in the country, prices of RMA 1 shot up from Rs. 6,500 per tonne in early 1978 to over Rs. 12,500 per tonne during the second half of 1978. This is partly due to a decline in natural rubber production in India—only 135,000 tonnes have been produced during April 1978/March 1979 as compared to a consumption of 165,000 tonnes. The imports arranged so far by the Government—15,000 tonnes in August/October 1978 and 15,000 tonnes in April/May 1979—have been just equivalent to the deficit between consumption and production during the last financial year and are, consequently, totally inadequate for building up the additional stocks required in the country. Moreover, even the import of these 30,000 tonnes has not been arranged in time when the need to bridge the gap between requirements and availability has been greatest. Prices have, therefore, remained at high levels and, in fact, over recent months are between 40% and 60% above the revised floor price of Rs. 8,250 for RMA 1 fixed by the Government. Earlier this month Government recognised the seriousness of the situation by announcing its decision to import a further 30,000 tonnes over the next few months when local supplies will be affected by the monsoon conditions. This decision is welcome, although unfortunately world market prices have risen again in recent weeks.

The position with regard to petrochemical based materials is also alarming. For instance, apart from being in short supply, the CIF price of imported caprolactum, which is the base material for Nylon 6 Yarn, has increased during the last six months from $900 to $1700 per tonne. The price escalation in the case of the other materials mentioned by me, although not so great, still averages over 25%.

In these circumstances, it is urgent that Government implement the following important representations made by the industry during the last twelve months :

(i) Timely and duty-free imports of natural rubber so that prices remain reasonably stable between the floor prices already announced and ceiling prices which are yet to be announced (which would trigger imports).

(ii) Reduction in the import duties on butyl, SBR, nylon yarn and carbon blacks, where imports are necessary due to inadequate availability in the country.

Licensed Capacity Stagnation Not in Public Interest

In this era of rising costs, it is not possible for a company to remain viable and protect employment without growth in output. We have proposed to Government that a 5% annual increase in existing licensed capacities should be permitted to provide incentive for productivity improvements and modernisation of obsolete equipment, both of which are necessary for the continuing health of an organisation. In particular, companies such as yours, who are working within industrial licences issued many years ago, should be permitted to expand in existing products and enter new businesses, which are outside the capabilities of the small scale sector.

Economics of Exports vis-a-vis Export Obligation

Our exports in 1978 amounted to Rs. 6.74 crores. This was lower than our 1977 figure, but it was still the highest figure of any tyre company in India.

Due to the over-capacity situation which exists in tyres, especially in Europe and the U.S.A., coupled with the heavily subsidised exports from South Korea, world prices are very low and, in many cases, do not even cover our raw material costs. In such an event, we have represented strongly to Government that there is no logic in imposing export targets on the Tyre Industry which only result in heavy financial loss to both company and the country. The prices which we have to pay for raw materials are considerably more than is the case in nearly all other major exporting countries.

The exports of products from our Industrial range are increasing considerably and we see a continuing market in fan and vee belts, as well as transmission belting.

R & D to Benefit Consumers in Key Sectors

Your Company has received official recognition of its Research and Development organisation. This is a vital activity in our Company and already you can see some of the results in the introduction to our product range of polyester vee belts, to international specifications, for the first time in India. Rubber conveyor belting for specialised applications in steel plants and mining has been improved and a synthetic fabric conveyor belting is being introduced in early 1980. We are undertaking the modernisation of our braided hose activity, thereby shifting to the higher technology end of the business and reducing output of those types of hose that can be manufactured by the small–scale sector. Discussions with the Indian Railways have been initiated for introduction of Metalastik rubber suspensions for the first time in India for suburban and main line trains.

The Industrial Rubber Products field is extremely wide and offers opportunities for the introduction of new products and technologies in this country.

Your Company has also been active in the rural area by developing a modern bullock cart which removes much of the strain on the animal and brings modern engineering principles to an ancient method of transport. A new range of Animal Drawn Vehicle tyres will be introduced especially for this market during 1979.

To meet the growing demand for radial car tyres, we have selected for introduction in India the internationally popular Dunlop SP Sport. Extensive field testing has already been completed and commercial production is about to commence.

Tyres for the new Jaguar aircraft have been made and are presently undergoing their final qualification testing in Europe.

These are some illustrations of the intensive research and development work undertaken by your Company and are indicative of our contribution to the industrial and agricultural economy of this country.

Fiscal Relief for Modernisation

Your Company has traditionally manufactured a full range of products to provide a service to all sections of the community. As an old-established Company who has supplied the needs of the country since our first factory was set up in 1936, we are at a stage when a large investment is necessary for modernisation of plant and equipment to improve product specifications to meet domestic and export market requirements. The cost to us of replacement equipment is many times higher than the depreciation provided for the obsolete equipment being replaced. In this process of modernisation, which indeed is essential to protect our present levels of employment, we are placed at a distinct disadvantage to our newer competitors who enjoy a subsidy from Government in the form of excise relief ranging from 12½% to 25% of duty paid. In natural logic, the large investment required for this modernisation (which does not produce substantial incremental output over the base year) should be given the benefit of fiscal relief to the same extent as applicable to a new factory which had either zero or a low output in the base year.

The Most Important Person in Our Business is the Customer

Those of you who have visited our factories or our District and Depot Offices, will have seen posters which clearly state that the most important person in our business is the customer.

Tyre prices have been the subject of some comment during the past months and deserve some mention here. We do not enjoy raising our prices to our customers and our policy is to give our customers the best value for their money at all times. However, we are completely dependent on raw material input costs over which we have no control. Raw material costs form nearly 80% of our total cost and there is little or no scope to absorb any cost escalation, particularly with no increase in production. Furthermore, a very high rate of excise duty and sales tax on the finished product disproportionately increases the burden on consumers. For example, if there is an increase of Rs. 100 in the price of a tyre, the consumer will have to pay Rs. 57.50 additionally as excise duty and Rs. 15.75 as sales tax, bringing the total burden on the consumer to Rs. 173.25, i.e., Rs. 73.25 due to the tax burden.

The part that your Company can play is to improve its efficiency, continuously upgrade product performance to provide the best value for money and to offer a complete service for the satisfaction of our customers. This we pledge to continue to do.

All our employees deserve praise for their part in making 1978 a better year for the Company and, on your behalf, I would sincerely thank them and ask for their continued co-operation in 1979.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

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Sundaram Finance Limited

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Speech delivered by Sri T S Santhanam, Chairman, at the Twenty-fifth Annual General Meeting of the Company held on 20th June 1979, at Madras.

Dear Friends:

At the outset, I regret to inform you of the demise of Shri TS Srinivasan, our former Director on the 30th April, 1979. Shri Srinivasan was a Director of your Company from 1956 to 1973. During that period, he made valuable contribution to the growth and development of the company. We share the grief with the members of his family.

I am happy to welcome you to the Silver Jubilee Annual General Meeting of your Company. This is also the best year so far in the history of the Company, the profit after taxes being an all-time record.

The Directors' Report, the audited Balance Sheet as on 31st December, 1978 and the Profit and Loss Account for the year ended 31st December, 1978 have been sent to you and with your permission, I shall take them as read.

WORKING RESULTS

I am happy to inform you that our business showed further improvement during the year 1978. The amount financed against hire purchase contracts during the year reached a record figure of Rs. 16.25 crores in 1978 as against Rs. 15.72 crores in the previous year. The supply position of commercial vehicles improved during the latter part of the year 1978. As a result of this, there was a greater demand for funds from the road transport operators.

DIVIDEND

The company has been paying a dividend of 16% consistently for the past 9 years. Your Directors considered it appropriate to recommend a higher dividend over that declared in earlier years to commemorate the Silver Jubilee year. A final dividend of 10% has therefore been recommended for your consideration and approval, making a total of 18% for the year. Consistent with past practice, the Bonus Shares issued in December 1978 for Rs. 50.00 lakhs also qualify for full dividend for the year 1978 and the dividend will be paid on the Capital of Rs. 200.00 lakhs inclusive of Bonus Shares.

DEPOSITS

The Company resumed acceptance of fresh deposits from the beginning of 1979. It is gratifying that the response from depositors has been extremely satisfactory. The additional deposits will be useful to meet the large demand for funds, which the Directors anticipate in the current year.

GENERAL

During the year 1978, the hire purchase charges were rationalised and the service charge was reduced from 3% to 1% in stages. Early in 1979 the latter was finally abolished. This will lead to lower profits in the current year than in 1978. You will be happy to hear that our hire purchase charges are among the lowest in India. This gesture has been greatly appreciated by our clients and the business inflow in the first five months amounted to Rs. 9.60 crores as against Rs 4.60 crores in the corresponding period in the previous year.

Vehicle manufacturers are expanding production of commercial vehicles in accordance with the Central Government's policy and the production has substantially increased in the first five months of the current year. We hope this trend will continue.

The operational cost of the road transport industry has been steadily rising and the increased excise levies have resulted in the high cost of commercial vehicles. It is to be hoped that the Governments at the Centre and the States will devise measures to ease the burden of duties and taxes to give a fillip to this vital sector of the economy. It is also hoped that the Planning Comsion's recommendations for more roads, better roads and better surfacing of roads, which will in turn result in reducing the cost of road transport, will also find increasing acceptance.

ACKNOWLEDGEMENT

I take this opportunity to thank, on behalf of the Board of Directors and on my own behalf, our customers, depositors, bankers and shareholders for the co-operation extended to and the trust reposed in the Company, but for which we would not have achieved the growth registered during the past 25 years. I look forward to their continued support. I also wish to place on record my appreciation of the good work done by the Company's staff, both in the field and in the office.

Finally, I thank all the members present for making it convenient to attend the Meeting.

This does not purport to be a record of the proceedings of the Annual General Meeting.

COMPANY AFFAIRS

Goodyear India

Mr V. Narayanan, chairman & managing director, Goodyear India Limited told the shareholders at the annual general meeting held on May 25, 1979, that the company had shown a distinct improvement during 1978 as compared to the previous year. This he added, had been achieved through more favourable product mix and stringent controls on costs and expenses. In spite of improved earnings in 1978, the directors decided to maintain last year's dividend in view of the vital need to conserve the resources for replacement and modernisation of equipment and to meet additional working capital requirements in the face of ever increasing costs.

The automotive tyre industry in India has maintained a steady growth in output. Production of 6.56 million tyres in 1978 was 10 per cent over 1977 and 17 per cent over 1976. The chairman pointed out that raw materials accounted for as much as 80 per cent or more of the factory cost of tyre. When prices for all of them went up as sharply as they had in the last one year, there was really no alternative to adjusting the selling prices. Ad valorem import duties such as 52.5 per cent on synthetic rubber, 101.25 per cent on carbon black and 189.9 per cent on nylon yarn, calculated on the present CIF prices, pushed the costs of tyres straight up. Under the present excise and sales tax levies, in order to recover a cost increase of one rupee, the industry had to simultaneously collect 57.75 paise for excise and 19 paise for sales tax or a total of 77 paise for taxes. It was essential to review these high ad valorem import duties, excise tax and sales tax, the chairman stated.

Along with other members of the Automotive Tyre Manufacturers' Association, the company recently sponsored a study on the road transport industry by the National Council of Applied Economic Research. This survey brought out the plight of the truck operators, 89 per cent of them being single truck owners eking out a living against several constraints and hardships. The survey revealed that crippling road taxes, heavy levies on vehicles and tyres, high interest charges on loans, delays and harassment at the numerous octroi controls, sales tax and other check posts and bad roads were the hardships that tended to make the truck operator cynical when growth and development were discussed.

Alembic Glass

Mr. R. B. Amin, chairman Alembic Glass Industries stated at the annual general meeting recently that the company recorded a year of increased output and sales, in spite of a number of adverse and unfavourable factors affecting its performance. In its plant at Baroda, one unit feeding two lines of production was out of commission for some time because the furnace was being converted to a bigger unit which could eventually accommodate more lines of production. Two other units were also closed for short periods on account of repairs, particularly affecting the production of pressedware. However, the overall output increased from 42,900 tons in 1977 to 45.400 tons in 1978, on account of higher production at its Bangalore unit.

Increased Sales

Sales revenue of the company crossed the Rs 10 crore mark during 1978—at Rs 10.5 crore for the year it was Rs. 1.17 crore, nearly 12 per cent, ahead of the sales figure for 1977. The intensity of competition already prevailing in the market further intensified because the overall capacity now established in glass industry was well ahead of the total demand. Prices were therefore constantly being depressed and margins were very narrow and unremunerative. The operational earnings were eroded by exorbitant increases in the costs of energy inputs for this power intensive industry.

The chairman pointed out that excise rates of 35 per cent on glassware was excessive and counter productive in as much as the glass container was an input for other user industries such as food and beverage processing industries, dairies and pharmaceuticals which in turn, provided for daily necessities for the people. Alternatively, these wares and containers were bought by households. By no stretch of imagination can articles such as glass tumblers and bowls be regarded as luxuries. The final price for the consumer was heavily loaded by the excise elements of all inputs upto the manufacturing stage of glass containers and the subsequent excise element on the glass container itself, along with other inputs which went in to make up the final consumer pack as in beverages, pharmaceuticals, processed food articles and so on.

Tata Iron and Steel

Tata Iron and Steel Company has turned out good results for the year ended March 31, 1979, and the directors have decided to pay an equity dividend of 12 per cent as against 11 per cent paid last year. Total turnover of the company at Rs 381 crores was higher by Rs 20 crores as compared to last year due to price increase from June 5, 1978 and a better product-mix, partly offset by lower sales of finished steel. Gross profit amounted to Rs 45.02 crores against Rs 26.12 crores. After providing Rs 20.12 crores (Rs 18.25 crores) for depreciation and Rs 7.35 crores (Rs 10 lakhs) for taxes, profit after tax came to Rs 17.55 crores, compared to the previous years Rs 7.77 crores. Out of this, the proposed dividend on preference and equity shares will absorb Rs 7.02 crores (Rs 6.50 crores.)

After writing back Rs 2.25 crores from development rebate reserve and bringing in last year's surplus of Rs 52 lakhs, Rs 6.40 crores (Rs 3.85 crores) is allocated to investment allowance reserve, Rs 60 lakhs (same) to debenture redemption reserve and Rs 5.50 crores (Rs 20 lakhs) to the general reserve. The remaining surplus of Rs 80 lakhs is proposed to be carried forward.

Announcing these results,

Mr J.R.D. Tata, chairman told newsmen in Bombay recently that despite severe shortages of coal, coke, power and wagons, the company produced 1.516 million tonnes of saleable steel representing 99.5 per cent capacity utilisation as compared with last year's record output of 1.601 million tonnes. Sales amounted to 1.409 million tonnes as against 1.624 million tonnes in the previous year. This shortfall was due to heavy transpor dislocation caused by floods during September-October 1978 in the eastern region and subsequent rail traffic interruption and wagon shortages which continued even thereafter upto the end of March 1979.

The record sales of 1977-78 were partly due to running down of steel inventories from 286,000 tonnes at the commencement of the year to 179,000 tonnes on March 31, 1978. At the end of March 1979, steel inventory was 188,000 tonnes.

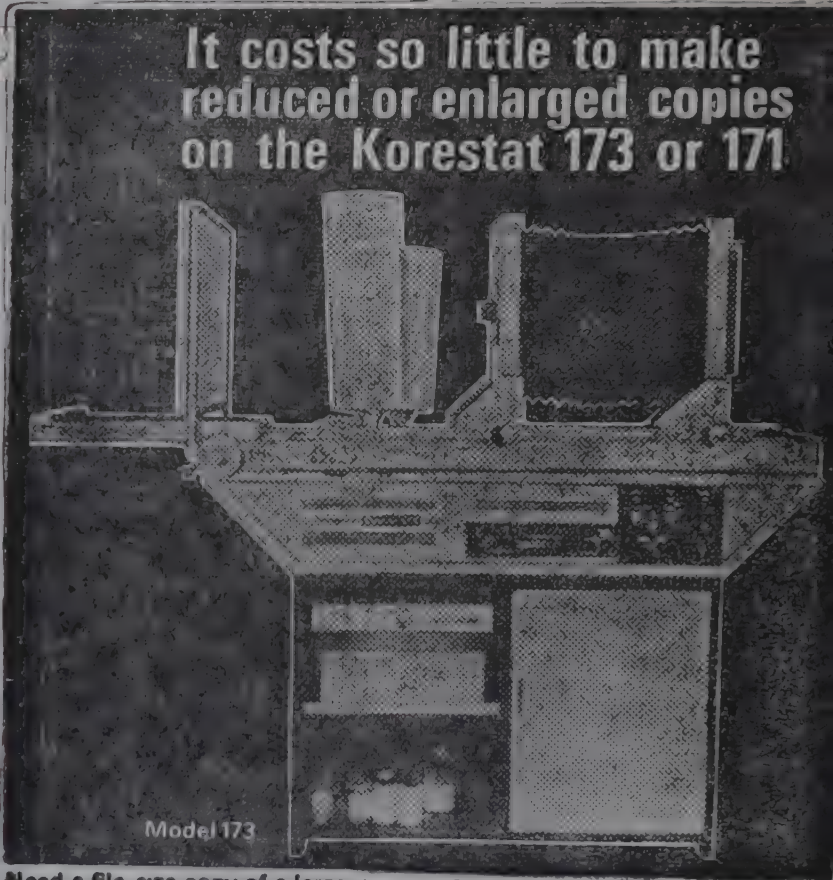
TELCO

Tata Engineering and Locomotive Co. Ltd. (Telco), which has plans to increase production capacity of commercial vehicles from 36,000 a year to 56,000 a year proposes to offer to public convertible bonds for the largest amount offered by any company in the country.

The bonds will be of Rs 450 each for seven years for a total of Rs 47.25 crores. A small number of the bonds are being earmarked for shareholders and Telco employees. The bonds will carry 11 per cent annual interest, and there will be option to convert half of the bond value for one Telco ordinary share at the end of three years and also to convert the balance of the bond into another ordinary share at the end of seven years. Telco chairman and managing director, Mr S. Moolgaokar told newsmen in Bombay that during discussions he found the government keen on Telco increasing its production to meet the growing demand for commercial vehicles. The expansion is likely to take 2 to 3 years and will cost a sum of over Rs 130 crores.

Higher Dividend

The directors have recommended a 16 per cent dividend for the year ended March 31, 1979 (15 per cent) including pro-rata dividend on 198,000 ordinary shares issued to the financial institutions on conversion of a part of their loans on December 4, 1978. A dividend of nine per cent has been recommended for new nine per cent cumulative redeemable "A" preference shares. The dividend will absorb Rs 4.46 crores (Rs. 2.83 crores.) Of this dividend 8.97 per cent is expected to be exempt from tax in hands of the shareholders under Section 80 of the Income-Tax Act. The gross income is Rs 379.92 crores (Rs 285.29 crores) and since no tax in being paid again this year, the profit is Rs 15.14 crores (Rs 10.44 crore) and the profit available for appropriation is Rs 9.64 crores (Rs 10.95 crores). Mr. Moolgaokar has explained although production of commercial vehicles has increased by 41.7 per cent, from 23,317 in the previous year to 33,046 in 1978-79, the production could have been even higher but for serious power cuts both at Jamshedpur and Pune, communal disturbance in Jamshedpur, severe shortage of components and raw materials, on account of labour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unrest at the factories of the ancillary suppliers, and congestion at ports, which kept on affecting the rhythm of the company's operations throughout the year.

Punjab National Bank

Punjab National Bank registered an alround growth in deposits, advances, priority sector credit and advances under DRI schemes during 1978. The bank crossed Rs 1700 crores-mark in deposits in 1978 with a growth of Rs 307 crores during the year, the highest for any year since the nationalisation of banks in 1969. In percentage terms, the rate of growth of the bank's deposits was higher at 21.7 per cent as against 20.4 per cent in 1977. Growth of deposits in rural, semi-urban and metropolitan areas registered a higher rate of growth as compared to the previous year. The bank added another million to its deposit accounts, thus crossing six million deposit accounts by the end of 1978. Bank's loans and advances increased by Rs 145 crores (16.5 per cent) to Rs 1022 crores in 1978 as compared to an increase of Rs 53 crores (6.5 per cent in 1977). The notable feature of expansion in credit in 1978 was that about 50 per cent of total increase in credit was accounted for by the priority sector.

The priority sector credit registered an all time high increase of Rs 71.75 crores in 1978, as compared to rise of Rs 22.76 crores in 1977. The priority sector advances as on December, 1978 thus, stood at Rs 291.04 crores against Rs 219.7 crores in December 1977. The number of borrowal, accounts increased from 2.59 lakhs to 3.15 lakhs or by 21.6 per cent in 1978 as against an increase of 15 per cent last year. The bank opened 68 new offices during the year, of which as many as 38 were in rural areas and seven in semi-urban areas. Of the 38 new rural offices, 36 were opened in un-banked centres. As on December, 1978, over two-thirds of the bank's offices were located in rural and semi-urban areas.

All the unbanked blocks allotted to the bank were banked by June, 1978. The net profit of the bank after making the usual and necessary provision amounted to Rs 4.40 crores as compared to Rs 3.41 crores for 1977, of which Rs 65 lakhs have been allocated to reserves. A sum of Rs 67 lakhs was transferred to central government in terms of Section 10 (Savings) of the Banking Companies (Acquisition and Transfer of Undertakings) Act of 1970.

Karnataka Bank

Karnataka Bank has achieved all-round progress in 1978. The total deposits have gone up from Rs 59.67 crores in 1977 to Rs 77.13 crores in 1978 registering a growth rate of 20.3 per cent as against 18.6 per cent at the national level. The toial advances have also recorded significant growth from Rs 36.80 crores in 1977 to Rs 49.65 crores in 1978. The lendings to priority and neglected sectors accounts for 41.35 per cent of total advances as against a target of 33⅓ per cent set by RBI. Investments in government and other approved securities rose from Rs 16.80 crores in 1977 to Rs 20.79 crores recording a growth rate of 23.7 per cent.

During the year 1978, 100,000 new shares of Rs 20 each were issued in which Rs 10 was called up and the same was oversubscribed. The present paid-up capital stands enhanced from Rs 30 lakhs in 1977 to Rs 40 lakhs in 1978 as against reserve fund and other reserves of Rs 44.75 lakhs. The dividend has been maintained at 12 per cent. The bank opened 15 branches during the year taking the total number of branches to 225 which are spread over states of Karnataka, Maharashtra, Andhra Pradesh, Kerala, Tamil Nadu, & union territory of New Delhi, Pondicherry & Goa.

Allahabad Bank

For Allahabad Bank the year 1978 was eventful and was characterised by all round growth and development in important spheres of activities, particularly in deposit mobilisation and priority sector lending. As regards deposit mobilisation the bank has maintained a higher rate of growth of deposits (28.48 per cent) in relation to the average growth of the banking system (18.6 per cent). The total deposits & other accounts of the bank stood at Rs 572.42 crores at the end of December 1978 as against Rs 445.54 crores as at the end of December, 1977. Although there has been a slow down in the credit expansion of the banking sector, the bank showed a sustained increase in the deployment of credit. As against the rate of credit expansion of 13.5 per cent for the banking industry, the expansion in the case of Allahabad Bank was of the magnitude of 26.3 per cent. Advances of the bank increased to Rs 347.23 crores in 1978 from Rs 274.93 crores in 1977.

Significant improvement in priority lendings was a notable feature in the working of the bank during 1978. The priority sector lendings of the bank increased to Rs 92.50 crores in 1978 from Rs 57.73 crores in 1977 recording a spectacular rise of 60 per cent over the previous year. Including exports the relative figures worked out to Rs 112.57 crores. Although the proportion of priority sector advances to total advances of the bank was hardly 6.4 per cent at the time of nationalisation, this proportion for 1978 worked out to 26.6 per cent as against 20.4 per cent recorded in 1977. This has increased to nearly 30 per cent in March, 1979. In the matter of priority accounts, the bank crossed the one lakh mark. Total advances made to the agricultural sector increased from Rs 23.95 crores in 1977 to Rs 32.89 crores in 1978. The rise of number of accounts during the period was of the order of 19,123 accounts.

Advances to small scale industries during the year increased from Rs 22.52 crores in 1977 to Rs 32.78 crores. Other priority sectors shares increased from Rs 11.26 crores in 1977 to Rs 26.83 crores in 1978.

Branch Expantion

The total number of bank branches stood at 785 at the end of 1978 as against 695 in 1977, recording an increase of 90 brances during the period. In accordance with licensing policy of the Reserve Bank of India, 66 branches have been opened in the hitherto unbanked and under banked rural areas. Another 14 branches were opened in semi-urban areas and 10 were opened in urban and metropolitan towns. Out of 785 branches, 329 are located in rural areas, 206 are in semi-urban centres. 150 are in urban towns and 100 are in metropolitan towns. A number of special schemes have been formulated and financed by the bank in different states of the country.

Indian Hotels

Indian Hotels Co. Ltd. has shown good performance and its directors have recommended a 25 per cent dividend on ordinary shares of Rs 10 each, for the year ended March 31, 1979. The directors have further recommended a bonus shares issue in the ratio of four equity shares for every five held. They have also indicated that the management will like to pay a dividend of 16 per cent on increased capital after the bonus shares issue, barring unforeseen circumtances. The company's total revenue has risen to Rs 18.43 crores from Rs 13.92 crores.

After providing Rs 69.41 lakhs (Rs 53.50 lakhs) for depreciation and Rs 80.63 lakhs (Rs 49.51 lakhs) for interest, the profit before tax is Rs 4.10 crores (Rs 3.63 crores) reflecting an increase of 13 per cent. The provision for tax is, Rs 1.40 crores (Rs 1.94 crores). After transferring Rs 60.00 lakh for investment allowance reserve (Rs 3.50 lakhs), the profit available for appropriation is Rs 2.10 crores (Rs 1.66 crores) of which Rs 68.12 lakhs has been provided for payment of the proposed dividend.

Indian Explosives

Indian Explosives will issue partially convertible rights debentures worth Rs 25 crores in the proportion of one debenture for every 50 equity shares held. The debentureholders will have the option to convert 20 per cent of the nominal value of each debenture. The debenture issued is part of the various means by which the company proposes to raise finance for the expansion of its fertiliser factory in Kanpur from 450,000 tonnes of urea per annum to 675,000 tonnes per annum, a 50 per cent increase in capacity. Technical know-how and assistance will be received from ICI (UK), Benfield Corporation (US) and Toyo Engineering Corporation (Japan).

The Rs 88 crore capital cost of the expansion project, expected to be completed within two years, will be financed, apart from the debenture issue, by foreign exchange loans equivalent of Rs 13 crores, short-term rupee loans of Rs 12.5 crores to be provided by State Bank and Central Bank of India and the balance of about Rs 37.5 crores from internal sources and bank overdrafts. The present shareholding of ICI in the IEL is 50.42 per cent.

Indian Organic

The directors of Indian Organic Chemicals have recommended the issue of bonus shares on a one-for-two basis besides an unchanged dividend of 15 per cent. According to preliminary figures the company's sales have increased from Rs 34.93 crores in the previous year to Rs 43.48 crores in 1978-79 and the profit before tax is up from Rs 3.92 crores to Rs 5.15 crores. After providing Rs 2.84 crores (Rs 2.32 crores) for taxation and Rs 31 lakhs (Rs 12.50 lakhs) for investment allowance, the net profit is Rs 2.01 crores compard to the previous year's Rs 1.54 crores.

Capital and Bonus Issues

The government of India has given its consent to the following five companies to issue capital as under :

Hoechst Dyes Chemicals Limited : Rs 63.00 lakhs in the ratio of one bonus share of Rs 10 each for every three shares held.

Bengal Tea and Industries : Rs 37.73 lakhs in the ratio of one bonus share of Rs 100 each for each equity share held.

India Explosives Limited : 5,00,000 partially convertible debentures of Rs 500 each, for cash at par, on a rights basis to the existing equity shareholders to be converted on October 1, 1982 at a premium of Rs 6.2/3 per share of Rs 10.

India Consultants (Pvt) Ltd. Rs 2.00 lakhs in equity shares of Rs 100 each for cash at par, as rights to the existing share holders in the ratio of 2:1.

Kareem Casecami : Rs 75.00 lakhs in equity shares of Rs 10 each, for cash at par out of which Rs 30 lakhs will be offered to the public by prospectus to provide part finance required for putting up a plant for processing silk waste.

FICCI AWARDS, 1979

FICCI invites nominations for its 1979 Awards for excellence in and outstanding contributions to the following :

- ★ **Companies and Institutions:**
  - ● Family Planning
  - ● Research in Science and Technology
  - ● Rural Development
  - ● Training and placement of disabled persons.
- ★ **Individual Scientist/ Technologist:**
  Three Cash Awards of Rs.10,000/- each in
  - ● Life Sciences, including Agriculture :
  - ● Physical Sciences including Mathematics : and
  - ● Technology with particular reference to its inter-action with industry.

The last date for nominations is Monday, the 17th September 1979

For further details, please write to :
The Secretary-General,
FEDERATION OF INDIAN CHAMBERS OF COMMERCE & INDUSTRY,
Federation House, Tansen Marg,
New Delhi-110 001.

Newfields

Wholesale prices

(Base : 1970-71=100)

RECORDS AND STATISTICS

Review for the week ended May 26, 1979

THE OFFICIAL wholesale price index for 'all commodities' (Base 1970-71=100) stood at 198.1 (provisional) during the week ended May 26, 1979, as against 197.3 (provisional) for the previous week. At this level, the index was higher by 0.4 per cent and 8.2 per cent respectively when compared to the previous week and that of a year ago.

Group-wise analysis of the movement of prices is as follows :

I. Primary Articles : The index for 'food articles' resistered a rise of 0.7 per cent to 117.4 from 176.2 for the previous week due to an increase in prices of eggs (+6%) tea and spices & condiments (+5% each), furits & vegetables (+3%) and jowar, barley, gram, arhar, coffee and ghee (+1% each). However, the prices of milk (—3%), ragi (—2%) and moong (—1%) declined.

Higher prices of raw skins (+12%), raw rubber (+4%), groundnuts and nigerseed (+3% each), kardiseed and lac (+2% each) and raw jute, mesta, rape and mustard seed and cottonseed (+1% each) raised the index for 'non-food-articles' by 0.8 per cent to 178.6 from 177.2 for the previous week. The prices of soyabean (—2%), copra and raw hides (—1% each), however, receded.

The index for the 'minerals' group stood stationary at its earlier week's level of 566.9.

II. Fuel, Power Light & Lubricants : The index for this major group remained firm at its previous week's level of 251.4.

III. Manufactured Products : Among manufactured products, the index for 'food products' moved up by 0.7 per cent to 176.3 from 175.0 for the previous week owing to an advance in the prices of gur, maida, kardi oil and oilcakes (+2% each) and groundnut oil (+1%). However, the prices of atta, khandsari and mahua oil (—2% each) and rice bran oil (—1%) declined.

The index for 'beverages, tobacco & tobacco products' remained unchanged at its earlier week's level of 184.6.

Enhanced prices of woollen cloth and khadi (+2%) and art silk and artificial yarn (+1%) pushed up the index for the 'textiles' group by 0.2 per cent to 192.2 from 191.8 for the last week.

The index for 'paper and paper products' stood stationary at its earlier week's level of 210.8.

The index for 'leather and leather products' went up by 1.9 per cent to 319.6 from 313.5 for the previous week due to an advance in the prices of sole leather (+5%) and hides and tanned leather belting (+4%).

The index for 'rubber and rubber products' remained steady at its previous week's level of 198.5.

Higher prices of formaldehyde (+12%), enamels and varnish (+5% each), caustic soda (+4%) and paints (+3%) raised the index for the 'chemicals and chemical products' group by 0.4 per cent to 182.8 from 182.1 for the last week. The prices of linseed oil and castor oil (—1% each), however, fell.

Higher prices of RCC pipes and coated abrasives (+13% each), and bricks (+1%) raised the index for 'non-metallic mineral products' by 0.6 per cent to 237.6 from 236.2 from the previous week.

The index for 'basic metals, alloys and metal products' remained firm at its last week's level of 239.5.

The index for the 'machinery and transport equipment' group recorded a rise of 0.4 per cent to 202.2 from 201.4 for the previous week due to an increase in prices of power driven pumps (+10%).

The index for 'miscellaneous products' stood stationary at its previous week's level of 2013.

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups (Base : 1970-71 = 100)

Major groups, groups & sub-groups	Weight in relation to all-commodities	Week Ending				
		26-5-79 (Latest week)	19-5-79 (A week ago)	28-4-79 (4 weeks ago)	31-3-79 (8 weeks ago)	27-5-78 (A year ago)
		(Provisional)			(Final)	
1	2	3	4	5	6	7
ALL COMMODITIES	**1000.00**	**198.1**	**197.3**	**194.3**	**191.0**	**183.1**
I. Primary Articles	**416.67**	**189.3**	**188.2**	**184.0**	**181.8**	**180.6**
A. **Food Articles**	**297.99**	**177.4**	**176.2**	**170.7**	**170.0**	**172.1**
Foodgrains (i+ii)	129.22	172.1	171.6	169.6	170.8	169.0
(i) Cereals	107.43	158.6	158.4	157.2	156.8	156.4
(ii) Pulses	21.79	238.3	236.8	230.7	240.1	231.3
(iii) Fruits & vegetables	61.32	187.8	182.4	166.9	156.2	163.0

—Contd.

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups—*Contd.*

1	2	3	4	5	6	7
(iv) Milk & milk products	61.50	167.6	171.6	164.6	166.2	169.
(v) Eggs, fish & meat	18.97	225.1	223.2	214.3	219.8	201.
(vi) Condiments & spices	10.94	137.8	131.2	144.2	150.8	181.
(vii) Other food articles	16.04	189.6	183.2	183.7	183.6	198.
B. Non-Food Articles	**106.21**	**178.6**	**177.2**	**176.4**	**177.1**	**168.**
(i) Fibres	31.73	165.8	166.0	168.1	167.6	174.
(ii) Oilseeds	42.01	158.4	155.8	154.4	152.4	166.
(iii) Other non-food articles	32.47	217.4	215.7	212.8	218.5	166.
C. Minerals	**12.47**	**566.9**	**566.2**	**566.7**	**506.4**	**484.**
(i) Metallic minerals	2.29	206.0	206.0	205.6	205.1	198.
(ii) Other minerals	4.16	205.8	205.8	205.1	204.7	196.
(iii) Petroleum crude & natural gas	6.02	954.7	954.7	954.7	830.0	793.
II. Fuel, Power, Light & Lubricants	**84.59**	**251.4**	**251.4**	**251.4**	**251.4**	**243.**
(i) Coal mining	11.47	211.5	211.5	211.5	211.5	211.
(ii) Mineral oils	49.12	279.2	279.2	279.2	279.2	271.
(iii) Electricity	24.00	213.5	213.5	213.5	213.5	203.
III. Manufactured Products	**498.74**	**196.4**	**195.7**	**193.2**	**188.5**	**174.**
A. Food Products	**133.22**	**176.3**	**175.0**	**171.0**	**165.7**	**156.3**
(i) Dairy products (incl. processed milk & tinned milk)	3.88	208.3	208.3	208.3	208.3	201.9
(ii) Canned & preserved fruits & vegetables	0.39	175.0	175.0	175.0	175.0	166.6
(iii) Canned & preserved fish & sea food	0.36	214.4	214.4	214.4	214.4	206.0
(iv) Grain mill products	4.64	164.6	166.3	166.3	167.9	162.7
(v) Bakery products	1.85	156.8	156.8	156.8	156.8	157.4
(vi) Sugar, khandsari & gur	72.41	179.6	178.1	169.8	162.4	142.7
(vii) Sugar, confectionary, cocoa & chocolate	0.53	164.4	164.4	164.4	164.4	159.8
(viii) Miscellaneous food products (a+b+c)	49.16	170.6	169.3	170.4	166.7	171.5
(a) Edible oils	37.16	165.5	164.7	165.7	161.9	162.4
(b) Oilcakes	9.05	183.3	179.9	181.7	177.8	201.6
(c) Other misc. food products	2.95	195.3	195.3	195.5	192.5	193.0
B. Beverages, Tobacco & Tobacco Products	**27.08**	**184.6**	**184.6**	**184.6**	**184.6**	**177.6**
(i) Wine industry	6.77	141.7	141.7	141.7	141.7	138.1
(ii) Soft drinks	0.82	196.6	196.6	196.6	196.6	224.9
(iii) Tobacco manufactured	19.49	199.0	199.0	199.0	199.0	189.3
C. Textiles	**110.26**	**192.2**	**191.8**	**188.6**	**187.1**	**173.1**
(i) Cotton textiles	81.02	189.8	189.6	186.8	188.5	176.4
(ii) Woollen yarn & textiles	2.44	224.3	221.8	221.8	221.8	216.7
(iii) Silk, art silk & synthetic fibres textiles	12.83	173.2	171.8	170.2	171.4	160.3
(iv) Jute, hemp & mesta textiles	12.14	209.4	209.4	200.5	178.8	148.3
(v) Textiles products n.e.c.	1.83	274.7	274.7	247.7	243.9	226.1

—*Contd.*

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups—*Contd.*

1	2	3	4	5	6	7
D. **Paper & Paper Products**	**8.51**	**210.8**	**201.8**	**207.8**	**206.0**	**191.1**
E. **Leather & Leather Products**	**3.85**	**319.6**	**313.5**	**309.5**	**310.0**	**242.4**
(i) Tanned & cured finished leather	2.95	356.6	348.6	343.8	344.1	257.5
(ii) Footwear & other leather products	0.90	197.7	197.6	196.5	197.6	192.7
F. **Rubber & Rubber Products**	**12.07**	**198.5**	**198.5**	**197.3**	**198.1**	**169.8**
(i) Tyres & tubes	9.84	199.4	199.4	199.4	199.4	167.5
(ii) Other rubber products	2.23	194.1	194.1	188.0	192.1	180.0
G. **Chemicals & Chemical Products**	**55.48**	**182.8**	**182.1**	**182.0**	**181.4**	**175.5**
(i) Basic industrial chemicals	7.26	232.7	228.8	228.7	228.6	202.8
(ii) Fertilizers	12.52	165.0	165.0	165.0	165.0	176.0
(iii) Insecticides	1.16	252.8	252.8	242.0	242.0	231.1
(iv) Paints & varnishes	1.92	220.6	214.6	214.6	214.6	202.3
(v) Drugs & medicines	9.83	135.4	135.4	135.4	135.4	136.2
(vi) Cosmetics, soap & detergents	5.86	197.1	197.1	199.5	200.1	183.3
(vii) Inedible oils	1.54	147.7	149.0	155.8	152.2	148.5
(viii) Synthetic resin/resin & plastic materials	8.30	175.8	175.8	173.7	172.1	168.4
(ix) Dyestuffs & other chemicals n.e.c.	7.09	211.0	211.0	210.8	208.8	192.2
H. **Non-Metallic Mineral Products**	**14.15**	**237.6**	**236.2**	**229.6**	**226.3**	**206.9**
(i) Structural clay products	1.82	241.5	241.2	241.3	219.4	208.1
(ii) Glass & glass products	1.98	272.4	272.4	272.4	271.8	250.9
(iii) Earthernware & earthern pottery	0.96	280.2	280.0	280.0	280.0	252.8
(iv) Cement, lime & plaster	7.07	226.3	226.3	213.0	212.2	187.6
(v) Miscellaneous non-metallic mineral products	2.32	221.5	213.6	213.6	213.6	208.3
I. **Basic Metals Alloys & Metal Products**	**59.74**	**239.5**	**239.5**	**238.8**	**220.5**	**197.2**
Basic metals & alloys (i+ii)	46.51	246.3	246.3	245.5	222.3	197.8
(i) Iron, steel & ferro alloys	34.73	251.5	251.5	251.1	219.4	191.5
(ii) Non-ferrous metals & their alloys	11.78	230.8	230.8	228.7	230.6	216.4
(iii) Metal products	13.23	215.5	215.5	215.4	214 4	195.2
J. **Machinery & Transport Equipment**	**67.18**	**202 2**	**204.1**	**199.4**	**195.3**	**180.2**
Machinery & machine tools (i+ii)	50.45	200 6	199 6	198 7	193.5	179 5
(i) Non-electrical machinery	30.91	210 3	208.6	207.1	200.8	186.0
(ii) Electrical machinery	19.54	185.3	185.3	185.3	181.9	169.1
Transport equipment (iii+iv)	16.73	207.0	207.0	201.8	200.7	182.3
(iii) Motor vehicles & parts	13.73	214.9	214.9	209.0	207.8	189.2
(iv) Motorcycles/scooter, bicycles & parts	3.00	170.8	170.8	168.9	168.2	150.5
K. **Miscellaneous Products**	**7.20**	**201.3**	**201.3**	**201.8**	**199.8**	**181.0**
(i) Wood & wood products	1.74	202.4	202.4	202.4	202.4	190.9
(ii) Other manufacturing industries n.e.c.	5.46	201.0	201.0	201.6	199.0	177.8

Source : Office of the Economic Adviser, Ministry of Industry, Government of India

Consumer Price Index Numbers for Industrial Workers

(Base : 1960 = 1

Centre	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979 April	19 A
All-India	**186**	**192**	**207**	**250**	**317**	**313**	**301**	**324**	**331**	**337**	**32**
Ahmedabad	176	181	198	245	305	293	281	310	323	328	31
Alwaye	198	202	215	267	346	358	321	319	335	344	31
Asansol	189	194	206	245	316	317	318	338	342	348	32
Bangalore	186	194	212	265	318	332	321	342	339	350	33
Bhavnagar	186	194	217	273	327	315	297	325	340	344	33
Bombay	182	190	203	233	289	300	298	318	325	331	32
Calcutta	182	187	197	228	288	287	297	320	331	331	31
Coimbatore	163	177	189	218	309	319	304	319	326	332	31
Delhi	199	211	222	265	337	333	332	358	368	375	36
Digboi	189	188	198	234	310	317	310	336	339	342	33
Gwalior	191	197	214	271	348	324	318	343	350	352	34
Howrah	186	191	206	239	298	290	292	313	319	325	30
Hyderabad	189	195	211	251	304	316	308	337	341	340	33
Jamshedpur	183	187	202	249	313	293	288	316	322	329	30
Madras	170	182	203	229	301	314	288	211	318	327	30
Madurai	183	192	206	236	334	333	302	331	338	346	32
Monghyr	205	204	225	292	363	325	317	345	348	352	34
Mundakayam	197	199	210	263	337	346	304	302	313	318	30
Nagpur	187	192	203	256	314	326	297	215	325	332	38
Saharanpur	186	196	213	253	338	313	304	335	345	348	34
Sholapur	185	198	216	277	325	342	308	326	343	347	33

Source : Labour Bureau, Government of India, Chandigarh

Consumer Price Index Numbers for Urban Non-manual Employees

(Base : 1960 = 10

Centre	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978 79	1979			197
										Jan.	Feb.	Mar.	Ma
All-India	**174**	**180**	**192**	**221**	**270**	**277**	**277**	**296**	**306**	**307**	**304**	**308**	**29**
Bombay	168	172	183	204	241	246	255	269	285	287	286	291	27
Delhi-New Delhi	174	180	190	217	262	273	274	288	303	300	301	308	28
Calcutta	170	174	180	204	238	243	251	265	279	280	276	280	26
Madras	175	188	204	231	291	306	294	311	321	328	325	327	31
Hyderabad-Secunderabad	174	180	195	223	270	283	282	305	318	323	320	321	30
Bangalore	172	180	195	228	272	284	286	306	309	311	308	311	30
Lucknow	166	174	185	215	265	270	274	297	305	304	303	307	30
Ahmedabad	171	173	188	222	271	272	263	291	298	296	293	296	29
Jaipur	183	188	205	244	308	311	312	334	338	335	334	338	33
Patna	191	190	199	229	286	284	282	299	308	306	303	310	30
Srinagar	184	191	200	215	262	280	300	319	344	349	349	351	32
Trivandrum	178	184	198	231	280	297	301	309	313	324	325	325	30
Cuttack-Bhubaneswar	176	184	197	221	266	270	272	290	304	300	296	302	29
Bhopal	180	188	204	238	295	296	295	318	319	317	316	319	31
Chandigarh	178	183	194	217	265	278	284	299	308	305	305	309	30
Shillong	166	175	183	208	257	274	268	284	296	294	296	293	28

Source: Central Statistical Organisation, New Delh

Index Numbers of Security Prices—All India
(Week ended Saturday)

(Base : 1970-71 = 100)

		1979									1978
Item	Weight	March 31	April 7	April 14	April 21	April 28	May 5	May 12	May 19	May 26	May 27
I. GOVERNMENT AND SEMI-GOVERNMENT SECURITIES											
(Total : a+b+c)	100.0	97.7	97.7	97.7	97.7	97.7	97.8	97.8	97.7	97.8	97.8
a. Government of India	74.7	96.9	96.9	96.9	96.9	96.9	96.9	96.9	96.9	96.9	97.0
b. State Governments	19.7	99.8	99.8	99.8	99.8	99.5	99.8	99.8	99.8	99.8	99.7
c. Semi-Government Institutions	5.6	101.9	101.9	101.9	101.9	101.9	101.9	101.9	101.9	101.9	102.0
II. DEBENTURES OF JOINT STOCK COMPANIES											
All Industries	100.0	89.7	89.7	89.7	89.7	89.7	89.7	90.1	90.2	90.2	89.2
III. PREFERENCE SHARES											
All Industries	100.0	81.4	81.4	81.7	81.9	81.9	82.0	81.9	81.9	82.1	81.2
IV. ORDINARY SHARES											
All Industries	100.0	146.1	149.1	150.4	151.1	150.2	150.1	148.3	147.6	147.9	123.0
Of which :											
Tea Plantations	2.2	250.9	253.9	255.0	255.0	255.9	255.1	254.5	251.5	252.5	275.3
Cotton Textiles	9.7	140.6	144.4	149.3	149.6	147.4	146.3	143.5	142.0	141.6	103.0
Jute Textiles	0.9	98.1	105.5	113.3	119.7	121.3	124.9	125.1	123.4	121.2	68.1
Silk, Woollen and Rayon Textiles	6.2	177.9	184.8	188.3	192.1	189.6	189.4	187.3	184.9	185.0	133.9
Aluminium	3.8	74.9	74.6	75.0	76.1	74.6	72.8	72.3	72.0	72.8	60.3
Transport Equipment	5.4	141.0	145.2	145.4	145.7	145.3	146.2	140.5	138.5	139.2	95.3
Electrical Machinery, Apparatus, Appliances, etc.	6.5	145.2	149.3	150.7	151.5	149.4	149.7	148.0	145.8	148.7	120.0
Chemical Fertilisers	3.6	210.0	213.6	215.4	216.2	210.3	210.5	208.7	210.7	209.8	198.7
Cement	3.6	155.0	155.3	153.2	151.4	150.9	153.2	161.7	162.1	162.9	143.1
Paper and Paper Products	3.3	171.6	174.8	178.9	186.1	183.1	182.7	179.8	178.7	178.7	154.3
Rubber and Rubber Products	3.4	82.1	83.4	81.5	79.7	79.7	79.6	77.9	76.0	75.0	46.4
Electricity Generation and Supply	2.2	79.7	79.5	79.3	78.3	77.1	76.4	76.4	76.5	76.8	81.4
Shipping	2.0	116.1	125.4	124.2	123.8	123.5	121.2	119.2	119.4	120.5	109.5

Source : Reserve Bank of India.

Statement of Affairs of the Reserve Bank of India
(As on last Friday)

(Rs. cror

Item	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977 78	1978-79	19		
										April	May	M
1. **Notes in Circulation** (a—b)	4,212	4,637	5,253	6,127	6,190	6,535	7,743	8,602	10,267	10,744	11,074	9,3
(a) Total Notes Issued	4,221	4,655	5,272	6,160	6,232	6,573	7,779	8,616	10,318	10,793	11,115	9,3
Less												
(b) Notes held in Banking Dept.	10	18	19	33	42	38	36	14	51	48	41	
2. **Deposits** (Total: a to e)	553	626	453	919	1,862	2,913	3,664	6,287	4,876	6,392	6,392	6,8
(a) Central and State Governments	264	220	71	159	541	671	388	2,771	724	2,201	2,083	3,3
(b) Scheduled Commercial Banks	207	281	279	610	611	607	1,146	1,674	2,634	2,819	2,879	1,7
(c) Scheduled State Co-operative Banks	9	13	17	16	18	21	28	41	46	48	47	
(d) Other Banks	1	2	1	4	2	3	3	4	6	6	7	
(e) Others	72	110	85	130	689	1,612	2,099	1,797	1,466	1,318	1,376	1,7
3. Other Liabilities	689	1,064	1,198	1,448	1,614	2,137	2,213	2,927	3,222	3,232	3,286	2,7
4. **Total Liabilities/Assets**	5,454	6,326	6,904	8,494	9,666	11,585	13,620	17,816	18,365	20,368	20,752	18,9
5. **Foreing Exchange Assets** (Total : a+b)	350	421	376	530	633	1,518	2,767	3,889	4,655	4,813	4,848	3,9
a. Foreign Securities	273	239	172	142	122	272	1,072	1,766	2,694	2,769	2,769	2,0
b. Balances held abroad[1]	77	182	204	388	511	1,246	1,696	2,123	1,961	2,043	2,078	1,9
6. Gold Coin and Bullion	183	183	183	183	183	183	188	193	219	219	219	1
7. Government of India Rupee Securities	3,714	4,198	4,909	5,830	5,915	6,105	6,500	6,645	7,546[2]	8,031[2]	8,269[2]	7,6
8. **Loans and Advances** (Total : a to d)	958	1,243	725	1,161	1,533	2,052	2,430	2,107	2,352	2,081	2,147	2,1
(a) State Governments[3]	250	625	135	238	260	304	327	402	170	208	165	6
(b) Scheduled Commercial Banks	368	207	138	409	473	798	967	331	546	387	506	1
(c) State Co-operative Banks	306	223	322	317	441	459	488	595	558	410	396	4
(d) Others	34	88	130	197	359	491	648	779	1.078	1,076	1,080	8
9. **Bills Purchased and Discounted** Total : (a+b)	38	111	132	399	838	739	531	2,809	1,675	2,886	3,234	2,9
(a) Internal/Commercial	7	42	35	157	183	176	184	117	106	88	71	
(b) Government Treasury Bills	31	69	97	142	655	563	347	2,692	1,569	2,798	3,163	2,8
10. Investments	113	87	514	294	382	444	215	1,077	672[4]	686[4]	708[4]	69
11. Other Assets[5]	98	82	65	97	180	544	988	1,096	1,246	1,652	1,327	1,2

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1. Includes Cash, Short-term Securities and Fixed Deposits.
2. Including *ad-hoc* Treasury Bills.
3. Including temporary overdrafts.
4. Include investments in Foreign Shares/Bonds but exclude those in Rupee Securities.
5. Including rupee coin/Government of India rupee notes.

Note : Individual figures may not, in all cases, add up exactly to total due to rounding off.

All Scheduled Commercial Banks—Business in India

(As on last Friday)

(Rs. crores)

Item	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979		1978
										April	May	May
1. Aggregate Deposits												
(Total : a+b)	5,906	7,106	8,643	10,139	11,827	14,155	17,566	22,211	26,875	26,993	27,318	22,593
(a) Demand Deposits	2,626	3,127	3,794	4,336	4,963	5,817	6,943	8,868	10,355	10,182	10,298	8,797
(b) Time Deposits	3.280	3,979	4,849	4,803	6,864	8,338	10,623	13,343	16,520	16,811	17,020	13,796
2. Borrowings from Reserve Bank†	368	207	138	409	473	798	967	331	546	387	506	196
3. Cash in Hand and Balances with Reserve Bank												
(Total : a+b)	364	447	487	856	908	912	1,500	2,143	3,180	3,374	3,455	2,206
(a) Cash in Hand	167	180	221	246	296	305	354	469	546	554	576	489
(b) Balances with Reserve Bank††	197	267	266	610	611	607	1,146	1,674	2,634	2,819	2,879	1,718
4. Investments												
(Total : a+b)						4,607	5,536	7,897	9,046	9,400	9,321	7,782
(a) Government Securities*	1,362	1,650	2,161	2,362	2,826	3,283	3,930	5,907	6,571	6,899	6,775	5,801
(b) Other Approved Securities						1,324	1,606	1,990	2,476	2,501	2,546	1,981
5. Bank Credit												
(Total : a+b+c)	4,684	5,263	6,115	7,399	8,762	10,877	13,173	14,939	17,669	17,881	18,131	15,126
of which :												
5.1 For Financing Food Procurement Operations@	214	345	339	367	613	1,521	2,190	1,984	2,210	2,207	2,581	2,301
(a) Loans, Cash-Credits and Overdrafts	3,708	4,197	4,996	5,994	7,106	8,527	11,411	12,709	15,232	15,352	15,656	13,031
(b) Inland Bills Purchased and Discounted**	765	846	861	1,037	1,271	1,852	1,155	1,575	1,627	1,678	1,633	1,464
(c) Foreign Bills, Purchased and Discounted	211	221	258	367	385	498	607	655	810	853	842	631
6. Cash-Deposit Ratio												
(3) as per cent of (1)	6.2	6.3	5.6	8.4	7.7	6.4	8.5	9.6	11.8	12.5	12.6	9.8
7. Investment-Deposit Ratio												
(4) as per cent of (1)						32.5	31.5	35.6	33.7	34.8	34.1	34.4
(4a) as per cent of (1)	23.1	23.2	25.0	23.3	23.9	23.2	22.4	26.6	24.5	25.6	24.8	25.7
8. Credit-Deposit Ratio												
(5) as per cent of (1)	79.3	74.1	70.8	73.0	74.1	76.8	75.0	67.3	65.7	66.2	66.4	66.9

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† As available in the Reserve Bank records.

†† As per the Statement of Affairs of the Reserve Bank of India with effect from July 6, 1973.

* At Book Value; including Treasury Bills and Treasury Deposit Receipts, etc.

** Excludes Bills re-discounted with Reserve Bank of India.

@ Figures relate to Advances of *Indian* Scheduled Commercial Banks. With effect from June 1977 such advances by *Foreign* scheduled commercial banks are also included.

Note : Individual figures may not, in all cases, add up exactly to total due to rounding off.

Analysis of Money Stock Measures

(As on last Friday)

(Rs crores)

Sl. No.	Item	1970-71	1971-72	1972-73	1973-47	1974-75	1975-76	1976-77	1977-78	1978-79	1979 April	1979 May	1978 May
	MONEY STOCK MEASURES (M_1 and M_3)												
1.	**Money Supply (M_1)** (Total : a+b+c)	7,321	8,320	9,684	11,172	11,911	13,143	15,609	18,385	21,717	21,908	22,398	19,051
	(a) Currency with the Public	4,367	4,800	5,420	6,308	6,348	6,704	7,873	8,631	10,194	10,662	10,974	9,323
	(b) Bank Money (=Demand Deposits with Banks)	2,910	3,441	4,213	4,819	5,485	6.385	7,636	9,684	11,320	11,167	11,276	9,659
	(c) Other Deposits with Reserve Bank*	44	79	51	45	78	54	100	70	203	79	148	69
2.	**M_3 (=M_1+Time Deposits with Banks)** (Total 1+7a)	10,958	12,690	15,033	17,571	19,462	22,286	27,279	32,915	39,644	40,155	40,865	34,104
	SOURCES OF CHANGE IN M_1												
3.	**Net Bank Credit to Government** (Total : a+b)	5,264	6,444	7,770	8,726	9,533	10,112	11,022	13,473	15,341	15,948	16,516	13,798
	(a) RBI's Net Credit to Government	3,807	4,689	5,489	6,234	6,570	6,697	6,926	7,387	8,565	8,842	9,516	7,804
	(b) Other Banks Credit to Government	1,457	1,755	2,281	2,492	2,963	3,414	4,096	6,085	6,776	7,106	7,000	5,994
4.	**Bank Credit to Commercial Sector**** (Total : a+b)	6,455	7,368	8,729	10,701	12,647	15,392	18,503	21,230	25,207	25,401	25,675	21,379
	(a) RBI's credit to Commercial Sector	125	232	265	562	652	721	887	954	1,249	1,229	1,216	920
	(b) Other Banks credit to Commercial Sector	6,330	7,136	8,464	10,139	11,995	14,671	17,617	20,276	23,958	24,172	24,459	20,459
5.	**Net Foreign Exchange Assets of Banking Sector**	559	619	577	674	392	1,094	2,471	4,462	5,437	5,608	5,664	4,624
6.	**Government's Net Currency Liabilities to the Public**	384	411	457	502	531	555	568	593	589	589	592	606
7.	**Non-monetary Liabilities of Banking Sector** (Total : a+b+c)	5,341	6,522	7,849	9,431	11,192	14,009	16,955	21,373	24,857	25,638	26,049	21,356
	(a) Time Deposits with Banks@	3,637	4,370	5,349	6,399	7,551	9,142	11,671	14,530	17,927	18,247	18,467	15,053
	(b) Net Non-monetary Liabilities of RBI	714	1,091	1,219	1,437	1,670	2,577	2,833	3,452	3,312	2,892	3,257	3,107
	(c) Residual (Derived)	990	1,061	1,281	1,595	1,971	2,289	2,451	3,391	3,618	4,499	4,325	3,196
8.	**M_1 (Money Supply)** (3+4+5+6—7)	7,321	8,320	9,684	11,172	11,911	13,143	15,609	18,385	21,717	21,908	22,398	19,051

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* Excluding Balances held in I.M.F. Account No. 1, Reserve Bank of India Employees' Provident Fund, Pension Fund and Co-operative Guarantee Fund and some extraordinary items. The amounts collected under the Additional Emoluments (Compulsory Deposit) Act, 1974 and the Compulsory Deposit Scheme (Income Tax Payers) Act, 1974 are also excluded since August 16, 1974 and December 13, 1974 respectively.

** Includes Public Sector Enterprises.

@ Relate to Time Deposits of Scheduled and Non-Scheduled Commercial Banks, State Co-operaive Banks, Central Co-operative Banks and Primary Co-operative Banks.

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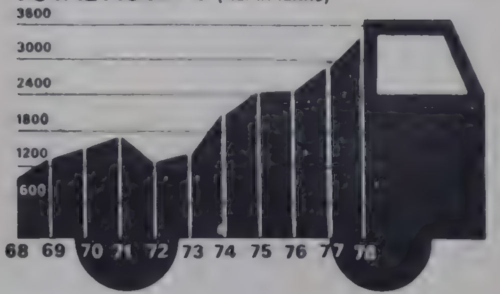
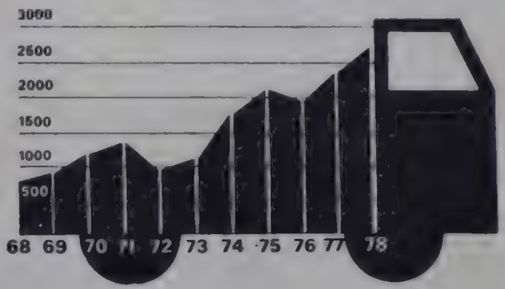


STOCK-ON-HIRE (Rs. in lakhs)



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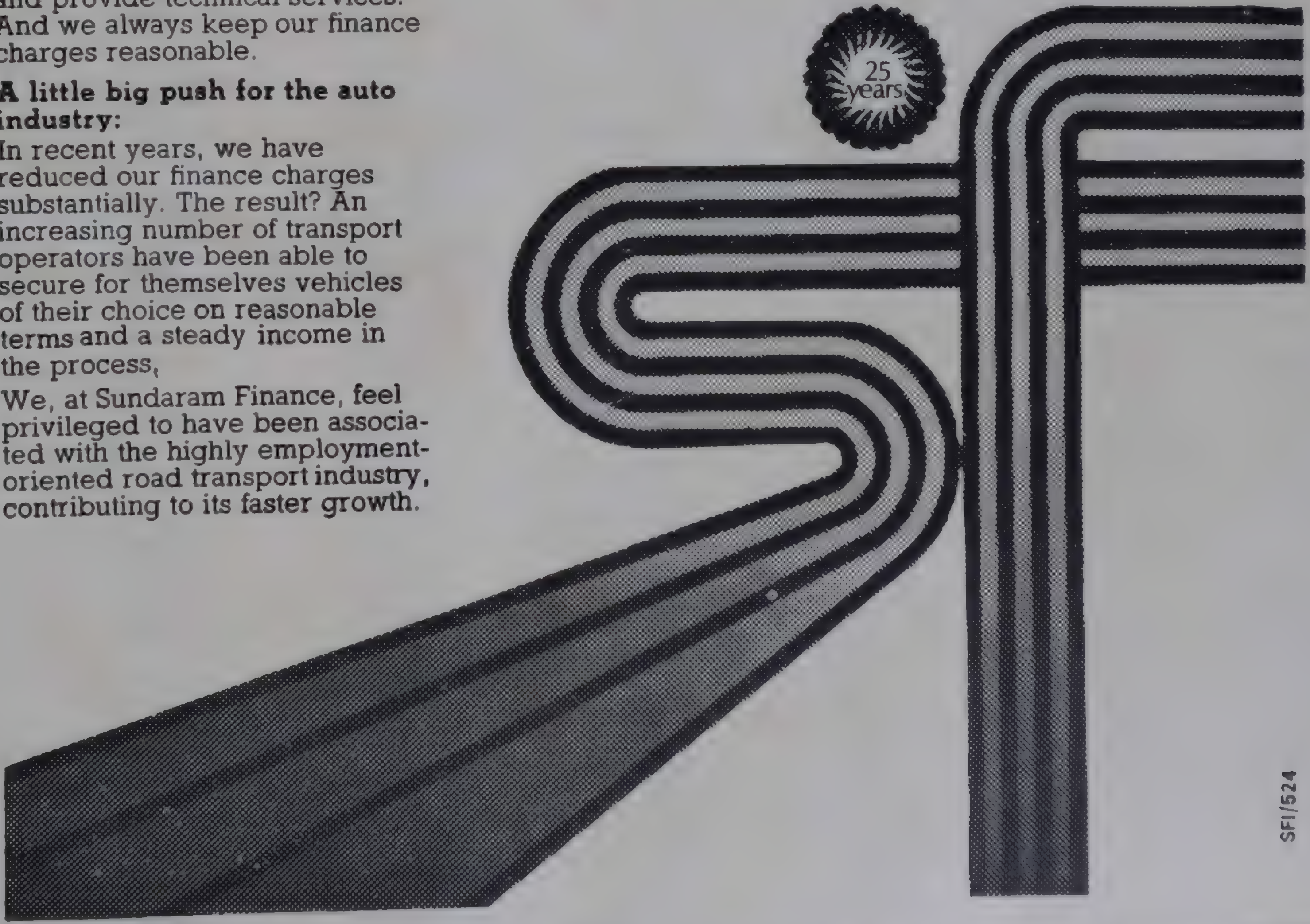

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